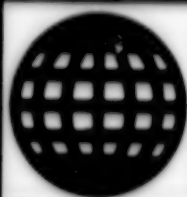


JPRS-CAR-92-041
16 JUNE 1992



FOREIGN
BROADCAST
INFORMATION
SERVICE

JPRS Report

China

China

JPRS-CAR-92-041

CONTENTS

16 June 1992

POLITICAL

QIUSHI Analyzes Western 'Bourgeois Democracy' [16 Feb]	1
QIUSHI on Rural Ideological Education [16 Feb]	6
Ideological Debates on Current Issues, Theories [ZHENLI DE ZHUIQIU 11 Feb]	12

ECONOMIC

NATIONAL AFFAIRS, POLICY

Official Outline on Enterprise Management [JINGJI GUANLI 5 Feb]	19
---	----

PROVINCIAL

Anhui Economic, Social Development Program [ANHUI RIBAO 12 Apr]	30
Shandong Budget Implementation Report [DAZHONG RIBAO 20 Mar]	49
Shandong Economic Development Report [DAZHONG RIBAO 19 Mar]	57

REGIONAL

CENTRAL-SOUTH REGION

QIUSHI on Development of Hainan Special Zone [1 Feb]	69
--	----

QIUSHI Analyzes Western 'Bourgeois Democracy'

HK0104065892 Beijing QIUSHI in Chinese No 4,
16 Feb 92 pp 24-29, 40

[Article by Zhang Shigu (1728 1709 6253) of CPC Central Party School: "Analysis of Modern Western System of Bourgeois Democracy"]

[Text] What democracy is and what the modern Western system of democracy is are concepts about which many people are not completely clear. The question of democracy is essentially a question of the state. Lenin said: "The question of the state is an extremely complex and difficult question. It can also be said to be the question on which bourgeois scholars, writers and philosophers are most confused." The reason for this is "that this affects, more than any other question, the interests of the ruling class." (*Collected Works of Lenin, Second Edition, Vol 37, pp 59, 61*) For many years, there has been a torrent of works praising Western democracy. Although some of these have contained grains of truth, they have been unable to break away from the biased understandings of the bourgeoisie and the petit bourgeoisie. "Thus, on this question, placing one's hopes in people's impartiality and believing that those persons who claim to be scientific will provide you with a purely scientific explanation is extremely erroneous." (*Ibid, p 61*) Only by relying on scientific cognitive tools will we be able to see through the numerous, complex and chaotic external and superficial appearances, clear away the dense fog which can lead us astray, and discover its true nature and patterns.

Changes in Political Structure and Ruling Mechanisms of Western Countries Since the War and Reasons for These

After World War II, in Western bourgeois countries, there occurred a series of new changes. These included the growth in the productive forces and the readjustment of the economic structure promoted by the new scientific and technological revolution; the general development of state monopoly capitalism and an increase in state participation and intervention in economic activities; the implementation by the bourgeoisie of some reformist measures within their own countries and the subsequent improvement in the incomes of workers and their material lives; monopoly capital was further internationalized and the major capitalist countries adopted various measures to harmonize their mutual relationships; and other changes. In short, under the conditions of modern capitalism, several new characteristics appeared in the contradictory movement between the productive forces and the relations of production and between the economic base and the superstructure, and we must engage in serious study of these. This study should not be restricted to social production and economic movement. It is also necessary to examine the political system with which the capitalist economic system corresponds and which serves that economic system. Seen in terms of the political systems and ruling mechanisms, the new

changes which have occurred in the Western countries since the war involved the further use and strengthening of the bourgeois democratic system. Thus, people can see that in the competition and struggle being engaged in by the contemporary bourgeoisie against socialist countries and especially the strategy of peaceful evolution they are promoting, the "trump card" upon which they are relying, apart from scientific and technological superiorities and economic strength, is so-called "Western democracy" as well as "freedom" and "human rights" (freedom and human rights are linked with democracy). Thus, deeply analyzing the various changes which have occurred in the system of bourgeois democracy and revealing the tricks used by the modern bourgeois in engaging in political rule and political struggle are extremely important aspects in understanding contemporary capitalism in an overall way, and in frustrating their efforts to carry out peaceful evolution.

Over the last several decades, the Western countries have certainly used all sorts of schemes and spared no expense in advocating and promoting "political democratization." This is mainly manifested in the following aspects:

- Almost all of the developed capitalist countries have zealously implemented or changed to a democratic form of government. The fascist or militarist ruling systems which were practiced in some countries such as Germany, Italy, Japan, Spain, Portugal, and Greece during and before World War II generally no longer exist. According to estimates, of 150 countries which follow the capitalist system today, 136 practice Western representative government.
- Seen from the legislative angle, the majority of countries have already relaxed or abrogated the many former restrictions on qualifications for voters. Apart from some countries such as France, the Netherlands, Finland, and New Zealand which, to different degrees, covertly retain voter qualifications based on property, most countries no longer formally stress asset differences, and the rights of citizens have been expanded. For example, some countries have successively perfected civil rights legislation and some have stipulated the social and economic rights of citizens, as a so-called system of economic democracy. Also, there has been some new content added to political rights.
- They have further used the two-party system or a multiparty system to have the activities of bourgeois democracy enter an ordered situation. Seen on the surface, it appears that the various political parties established in accordance with the law have mutual independence, compete equally and restrain each other. Their political position (in power or in opposition) is temporary and they regularly change positions, and it appears that voters can make their own decisions with respect to these political parties. This content places special stress on "spreading" this political system to socialist countries, and has this as a decisive condition in providing economic aid.

—They have further stressed the system of "election" activities, which they engage in once every few years. When this time comes around, the parties raise their forces, beat their drums and blow their trumpets, and engage in all sorts of commotion. Further, with the advances in modern media technology and other means of spreading information, the diversity of election activities has continually increased, and this is seen as a public display and performance of Western democracy. All of this gives people an image that there is greater democracy than before the war.

Looking at these changes simply from a systems angle and on a formal level does not allow one to examine their full meaning. According to the Marxist view and methodology, when examining the form of democracy in a specific period, one needs to first look at the social relations and social development situation in that period. Only thus is it possible to reveal the social factors on which this democracy relies for its emergence, and the basic nature of this form, and only thus will one not be befuddled by glitzy and fetching appearances.

First, these changes are directly related to a fairly long period of economic stability and development in Western countries after the war, a gradual trend of alleviation of domestic class contradictions, the low tide seen in the workers movement, and a strengthening of the power of monopoly capitalists.

Second, the occurrence of these changes was a result of a long period of struggle by the broad masses of people in capitalist countries to obtain greater democratic rights. It is also a manifestation of the conciliatory policy deliberately adopted by the ruling class after being forced to make concessions.

Third, this situation also shows that the experiences of the bourgeoisie in political rule and political struggle were richer, and this meant that the dictatorship of the bourgeoisie over the laboring people has become more hidden, more ingenious, and more mature.

"Four-Wheeled Cart": Operational Mechanism of Western Democracy and Its Nature

The political system of modern Western states is a huge and complex system. The historical traditions and present conditions of the various countries are not the same, and some of the specific systems and links in their political system show differences with each other. However, their functions and nature are the same. At present, if we want to reveal the secrets of this political system and truly understand its nature, it is necessary to analyze the system of division of powers (the "tripartite division of power"), the electoral system, the parliamentary system and the two-party or multiparty system. These four systems can be compared to the four wheels of a cart, and can be seen as the major carriers and operational mechanisms on which the Western system of democracy depends. The owners and drivers of this cart are the monopoly capital groups.

The tripartite division of power—this involves the separation and independent exercise of legislative power, administrative power, and judicial power by the parliament, the government, and the courts. However, at the same time, these powers are mutually restraining and a balance of power is maintained between them. In the bourgeois revolution period, this system reflected the demand for power-sharing made on the declining feudal class by the newly emerging bourgeoisie. In the period after the bourgeoisie established their rule, this system was useful in consolidating the capitalist system and guarding against the appearance of oligarchal politicians. However, after the feudal forces and the early financial nobility retired from the political stage, the tripartite division of power had already changed from a "class division of power" used to oppose the feudal system to a functional division of work under the sole rule of the bourgeoisie. At this time, the bourgeoisie did not allow any other class, particularly the laboring class, any share in ruling power. The reason they wanted to continue to practice this system was only that they wanted to use it as an ingenious tool by which to readjust the relationship between different groups within the bourgeoisie, to conceal the dictatorship of the bourgeoisie, and to shift the people's attention. Engels pointed out that the bourgeoisie and their scholars "regarded separation of powers with the deepest reverence and as a sacred and inviolable principle. However, actually it is nothing but the profane industrial division of labor applied for the purposes of simplification and control to the mechanisms of the state.... It is only applied as long as it suits the existing conditions." (*Collected Works of Marx and Engels*, Vol 5, pp 224-25) The tripartite division of power also had, as far as bourgeoisie rule was concerned, obvious defects. Not only could it not prevent mistakes in decision-making, but also created impediments and contention between the various power centers, seriously obstructing the normal operation of the state apparatus. Just after the war, the political situation in some Western countries continued to see upheavals, there were repeated cabinet crises, it was not possible to guarantee the continuity of policies or the authority of the government in power, and it was not possible to safeguard the stability of bourgeois rule. This was related to the practice of the system of division of power (the period of the Fourth Republic in France is a typical example). Thus, following the development of monopoly capitalism, the monopoly capitalists required the centralization of political power; thus, in all sorts of ways, legislative power was restrained while administrative power was expanded and strengthened; and thus the principle of balanced division of power in its original sense gradually changed to where it existed only in name. Actually, this was not at all strange, as the bourgeoisie always decided on whether to implement this principle and how to implement the principle in accordance with the demands of their political rule and economic interests.

The parliamentary system—in name, the parliament is the core of the system of bourgeois democracy, as well as the state's highest power, or legislative organ, and is lauded as "an organ which represents public opinion." However, actually, it is nothing but a means by which the

bourgeoisie claim their own will to be the will of the whole people. It is an ornament of bourgeois rule. Looking at the changes through history, the parliament has already changed from the early stage of capitalism when it was in the highest position, and when it played a role as a legislative organ, decided government appointments and supervised the administration, to where it is now an appendage of the government, and a "chamber for idle talk" used to hoodwink the people. Real state work is controlled behind the scenes and carried out by the government. Even some contemporary Western scholars have had to admit that "subordination to the head of state is the principle of parliament" and that parliament "is nothing more than a rubber stamp organ for the cabinet." Of course, this does not mean that modern monopoly capitalist groups can discard it like worn-out shoes. Parliament still plays an irreplaceable role, and that role is as a mechanism for balancing power among the bourgeoisie, a mechanism for expressing interests and synthesizing interests, a mechanism for alleviating contradictions in the maintenance of the bourgeois ruling order and as a propaganda ornament for the public both domestically and abroad. The claim that parliament is "an organ representing the whole people" is a deceitful statement. For example, of the members in the 94th U.S. Senate and House of Representatives, at least 22 percent were millionaires and an even greater number were agents or spokesmen for monopoly capital groups. There was not even one real representative of the workers. Minority nationalities, including blacks, constitute 12.5 percent of the U.S. population, but in the House of Representatives, they constituted only 5 percent, while in the Senate they constituted only 4 percent. Women constitute 50 percent of the national population, but there were only 14 women in the House of Representatives and only one woman in the Senate. In 1971-72, there were 627 members in the British lower house. Between them, they held 375 board directorships, 870 board memberships and 194 managerial posts in companies and banks. Is there any doubt that parliament is, in fact, "a political club of the rich"?

The electoral system—the constitutions and electoral laws of capitalist countries all say that they follow the electoral principle of universal, equal, direct and secret voting, and that they have a complete electoral system which involves candidates standing for election. Through 200-300 years of storms, the various restrictions on voter qualifications previously set down by the bourgeoisie to control elections have indeed already changed. For example, in 1928, England passed the "Law Governing the Equal Franchise for Men and Women," which abolished the unequal voting rights of men and women. In 1971, through legislation, the U.S. Congress lowered the voting age from 20 years to 18 years, thereby increasing the number of voters by 11 million. Later, it also passed some amendments which relaxed restrictions on black people. Since these changes, the situation is certainly different from the situation in England in the 1830's, when the number of voters (670,000) constituted only 5 percent of the national

population (14 million). However, does this really mean that the laboring people have already obtained the right to participate in government and political affairs? It certainly does not. The aspect in which bourgeois rule is higher than that of slave-owners and feudal lords is that the bourgeoisie not only make subordination to rule an obligation, but also accord this subordination the name of various rights. They understand that only by making capitalist private ownership and the bourgeois state system sacred and inviolable, and only by separating the right to vote and the right to be elected, can the latter become their own patented right, can the exploited laboring people be excluded, and can the right of capital to rule labor be perfectly safe. The votes in the hands of the ordinary voters are just a harmless gauze curtain behind which the financial groups and magnates engage in political tussles and manipulate state power. The various democratic rights of the laboring people can only serve the redistribution of power within the monopoly capitalist class. Again, as soon as control over the electoral system is lost, the political position of the bourgeoisie is threatened and they will adopt measures such as changing the electoral divisions, changing the electoral system, dissolving parliament, revising the constitution and revising electoral laws, to keep the situation from developing. They put their sweet promises out of mind. Have we not seen many examples of this in the several decades since the war? Because of this, the number of voters participating in voting has continually declined. For example, the U.S. voter turnout rate was 85 percent in 1900, in 1960 it was 64 percent, in 1973 it was 55.6 percent, and in 1978 it was 36 percent. Former President Reagan was elected in 1980 and 1984 with only 26.7 percent and 29.8 percent of the vote respectively. This shows the attitude and thoughts which the broad masses have regarding this electoral system.

The two-party system or multiparty system—this sort of political party system is actually a manifestation, on the political level, of economic contention and alliance between different groups within the bourgeoisie. In fact, it is just to allow a tussle between several major bourgeois parties who have the capacity to vie for office. It cannot provide opportunities and conditions for equal competition by parties which represent the interests of the laboring people, or even for some small bourgeois parties. The so-called elections in these countries almost always involve a choice between two or more major bourgeois parties which scramble for power, or else share political power. Thus, since this system was established, those who have held power in these countries have been bourgeois political parties or political parties which actually uphold the capitalist system. It is just because of contention between different groups within the bourgeoisie that there are different forms of this system, such as one party staying in power for a long period (as in Japan), two parties alternating in power (as in England and the United States), or a coalition of parties holding power (as in France and Italy). When the various capitalist groups clash on questions of various interests, it

leads to differences and struggle between different political parties, but the unity of the overall and basic interests of the bourgeoisie determines that these parties are unified on the basic principles of political rule and the major principles and policies. The so-called opposition parties were a major invention of the bourgeois art of ruling. Generally, opposition parties are loyal to the existing system and their activities must be carried out within the limits allowed by law. Otherwise, their qualification for participating in politics or holding power are expropriated, or else the party is banned. People in Western political circles, as well as the legislative stipulations, admit this point. Nixon said: "If the policies of the two parties diverge so far that the change from one ruling party to another ruling party will mean very fundamental change, that would be very dangerous." The basic law of the former FRG clearly stipulated that any person can freely establish a political party, but that any political party whose aim lies in overthrowing "the basic system of freedom and democracy" would be banned. "If it is established on the basis of the aim of the political party or the attitude of its members, that a party is trying to harm the basic order of democracy and freedom, trying to overthrow this order or plotting to subvert the Federal Republic of Germany, it shall be deemed to be in violation of the Constitution." The "basic system of freedom and democracy" spoken of is nothing more than a synonym for the capitalist system and bourgeois dictatorship. Thus, in the end, this "two-party" or "multiparty" system is actually a one-party system. The U.S. scholar Ferdinand Lundberg, in *The Rich and the Super-Rich*, noted this clearly: "America actually only has a single party—the rich man's party." "No matter in what period and no matter which party one speaks of, there are always magnates manipulating things behind the scenes. In order to benefit their own interests, they organize the props, arrange the scenery, and direct act after act of a strange drama."

"Money Politics": Exchange Between Money and Political Power

In the history of the development of political culture, the autocracy of the feudal lords and graded privileges has changed into modern bourgeois democracy and public offices in society have changed from hereditary, life-long and appointed posts to elected posts. Also, today, there is a political system where political parties campaign and voters vote to form a parliament and a government. This is certainly a big step forward. However, harsh facts eloquently prove the limitations and speciousness of this "step forward": Between the bourgeois political parties and the proletarian political parties, between the large political parties and the small political parties, and between the rich and the poor, there is no possibility of equal competition. Although workers and peasants have certain civil rights, and their political position is better than slaves and serfs in the past, they still cannot rise to where they can participate in state political affairs. On the legal level, it appears that the rights of citizens have been expanded, and that restrictions on voter qualifications have been relaxed. However, the capacity of

monopoly capital to manipulate politics and control state political power has increased. Wherein lies the secret? Put bluntly, it lies in wealth and money. In the past, the bourgeoisie directly relied on political coercion and legal measures to expropriate the universal suffrage of the majority of people, and their democracy was completely exposed as dictatorship by a minority. However, today, they have varied their tactics, and generally they indirectly rely on the great disparities in terms of property and the power of money so the majority of people have no way to truly influence state politics. Thereby, the minority of rich people are more effectively allowed to interfere in politics. The situation which was in the past described by Engels as "money has replaced the knife as the primary lever of social power" has now reached the very highest level. It can be said that modern Western democracy is now extremely dependent on the wallet. If one has money, one has democratic rights, and the amount of money one has determines how much one has in terms of human rights. If one has no money, then actually one cannot have anything to do with democratic rights. This "money politics" and "money voting" is a prominent characteristic of current bourgeois democratic politics. It is this principle which ensures that the power of the monopoly capitalists is completely safe. As Lenin pointed out: "The reason the unlimited power of 'wealth' is even more reliable under a democratic republic is because it does not rely on the various defects of the political structure and does not rely on the poor political shell of capitalism. The democratic republic system is the best political shell which capitalism can adopt. Thus, as soon as capital grasps.... this, the best shell, it can very firmly and very reliably establish its own power. Thereby, in the bourgeois democratic republic and state, no matter what changes occur in terms of personnel, organs or political party, they will not disturb this political power." (*Collected Works of Lenin*, Second Edition, Vol 31, p 12)

Wealth and money fully show their authority in electoral activities in Western countries. The political circles and media circles of these countries make no secret of this. The former head of the Californian State House of Representatives, Jessie Unruh, said: "Money is the mother's milk of political activities". O'Neill, the former speaker of the U.S. House of Representatives, also said: "Any election includes four elements: the candidate, the candidate's viewpoints, the campaign organization and campaign funds. Without funds, you cannot even begin to talk about the other three elements." A U.S. columnist also satirically noted: "Politics has become so expensive, that even the losers have to pay huge amounts of money." In Western countries, candidates who participate in elections must pay a bond and if they do not obtain a certain number of votes, the bond is forfeited. England has 630 electoral districts and if a political party wishes to field a candidate in each area, it has to provide a total of 94,500 pounds sterling in bonds. In addition, it has to organize a huge campaign headquarters, gather all sorts of smart and knowledgeable people, formulate an electoral strategy and put forward an administrative

program. They need to print a huge number of leaflets, publish huge advertisements and advertise their candidates. They also need to use the television to let their candidates give speeches and put forward their platforms. During "prime time" which begins at 2000 every evening on U.S. national television stations, every minute costs \$100,000. To deliver a 10-minute electoral speech would require \$1 million. The candidates have to tour the country or their own electorates to talk to voters. There is also air travel, public opinion polls, postage, bugging devices, and all sorts of other things. All of this requires huge amounts of money and, following the increasing "modernization" of campaign modes, the campaign costs are now becoming increasingly startling.

In Japan, the lowest expenditure of a candidate for the Diet is 50 million yen. In the 1990 election for the 39th House of Representatives, the average expenditure of each candidate was 300 million yen, and the total expenditure on the election reached 270 billion yen. The NIHON KEIZAI SHIMBUN reported that this figure exceeded 20 percent of the budgeted figure for social and public facilities in the 1990 budget. The major Japanese financial groups, in order to support the maintenance of LDP (Liberal Democratic Party) rule, generally provided "special political funds." In a commentary in the Singapore paper LIANHE ZAOBAO of 9 April in the same year, it was noted: "The Japanese engage in money elections and money politics. In other words, if one does not have money in Japan, there is no way one can even put one's foot into the political arena." In England, the backer of the Conservative Party is the British Federation of Employers, and many of the major members of the party are enterprise heads, managers or farm owners. Thus, its sources of funds are abundant. In the general election of 1983, the expenses of the Conservative Party candidates reached 12 million pounds sterling, over four times the Labour Party figure and 10 times the figure for the Liberal Party-Social Democrat Party alliance. Thus, it is not strange that the Conservative Party was able to succeed so completely.

In the United States, a country where the influence of money is all-pervasive, the exchange between money and political power and the marriage between financial groups and political circles exceeds that seen in any other place. After the 1960's, the campaign expenses of Congress members shot up swiftly. From 1974 to 1986, the figure grew 4.4 times, far exceeding the 120 percent rise in prices over the same period. In November 1990, the U.S. Congress held mid-term elections, during which campaign expenditures totaled \$303 million. Of the Senate candidates, those whose expenditure was very notable included the Republican Jesse Helms, who spent \$11.09 million. (His highest expenditure on another occasion was \$16.4 million, which gave him the record for campaign expenses.) His opponent, the Democrat Harvey Gantt spent \$4.74 million (while in the past, he had expended up to \$9.4 million). The Democratic Representative (Charly Angst) [0829 0448 1869 2491 3419] spent \$1.06 million, while his Republican opponent Robert Williams spent \$560,000. In this mid-term

election, 96 percent of incumbent congressmen were returned, and the secret to this lay in money. The presidential elections are even more startling in terms of campaign expenditures. According to official figures published in the United States, in 1980, the funds used in the presidential campaign totaled \$155 million, while the figure in 1984 was \$184.4 million. In 1968, when Nixon was campaigning for president, the broadcasting and television expenditures alone totaled \$12.6 million. In 1980, for a 30-second television broadcast speech by Reagan, \$3 million was spent. These huge amounts generally come from funds collected from monopoly financial groups and donations from magnates. Thus, (fu lei de wu mu hai mu/transliteration unknown) [1715 7191 1795 3087 1191 3189 1191], the head of a community group, has claimed in exasperation: "A corrupt system of financially aided campaign activities means that there is no way for a real election to be carried out."

Bankruptcy and End of Western Democratic System Myth

For quite a few years, the defenders of capitalism have always praised the democratic system they follow as a wonderful and incomparable political model which manifests "the will of the people" and represents "the interests of the whole society." In today's world, this tune is becoming increasingly loud, and they say that the democracy of Western society has become "a standard for all mankind," that it has a "universal value" and that it has reached unprecedented "new heights." With respect to the bourgeois republic system, Lenin succinctly pointed out: "Assuming it to be the most democratic republic, if it is a bourgeois republic, if it retains the private ownership of land and factories, and private capital puts the entire society in the position of wage slaves.... then this state is still a mechanism by which one part of the people oppress another part!" (*Collected Works of Lenin*, Second Edition, Vol 37, p 75) If we say that today's Western democracy has reached "new heights", it just means the modern apparatus of bourgeois rule has become more covert, more subtle and more mature.

The term democracy first appeared in the *Histories* of Herodotus, a historian of ancient Greece. It means the power of the people, that is, the people exercising power to jointly govern the state. However, in the city-states which implemented a democratic system of government in Greek society with its slave system, democratic rights were limited to citizens with full rights. That is, they were limited to a small number of residents constituting the slave-owning class, who occupied the ruling position, and it was absolutely impossible for democratic rights to be enjoyed by persons beyond that limit. The so-called "people's power" was nothing but the power of the ruling class, while so-called "rule by the majority" referred only to those within the ruling class. It was the contradictions and clashes between the minority slave-owners and the broad number of slaves in this economic system based on a system of slavery that determined that the city-state of Athens with its classical system of democracy would

finally fall from its "golden age" (Marx's words) to irreversible decline and doom.

The system of parliamentary democracy which is highly revered by the defenders of capitalism is certainly not a political model which manifests "eternal human ideals and values." It cannot long accord with the demands of socioeconomic development and cannot really satisfy the demand by the majority of the members of society to participate in politics. Thus, it cannot escape its fate of inevitable collapse. This is because, on the one hand, in the economic base upon which bourgeois democracy relies for its existence, are contained the basic elements which will push this form of democracy towards collapse. That is, it includes the contradiction between the social inequality produced by the private ownership system and the political equality required by democracy. The equality which the bourgeoisie preach on the political level "is an equality which has as its premise the inequality between the rich and the poor.... it is simply referring to inequality as equality." (*Collected Works of Marx and Engels*, Vol 2, p 648) In another respect, bourgeois democracy recognizes, on both the theoretical and legal levels, that "sovereignty lies with the people" and that it is "of the people, by the people and for the people." However, in reality, the majority of people are excluded from political power; their power to participate in politics has been expropriated and they have no way to truly influence state affairs. It is just that the methods of "exclusion" and "expropriation" are more clever. When these contradictions reach a certain degree of intensity, bourgeois democracy will fall into a crisis, which will in turn rock the entire political superstructure and finally cause it to collapse. Engels long ago pointed out: "The democratic system, like all other political systems, will eventually come to naught, because hypocrisy cannot be sustained and the contradictions it contains within will inevitably be exposed. Either it will be a real slave society, that is, an out-and-out autocratic system, or else it will be real freedom and equality, that is, communism." (*Ibid*, Vol 1, p 576) In contemporary Western states, many people have made statements about the "crisis of parliamentary democracy," saying that this is not democracy, but "parliamentary dictatorship," and advocating the "use of mass democracy to replace parliamentary democracy" (under the capitalist system, this is only a dream). Some are deeply worried about the decreasing appeal of the electoral system and the continual decline in the number of persons casting votes. Some other people have pointed out that "democracy leading to autocracy and tyranny" is completely possible. They cite as an example how in the 1850's, Louis Bonaparte rose to the throne of emperor of France through the votes of citizens, overturned the republic and established the Second French Empire. They also note how Hitler rose to the post of chancellor of Germany through elections, and subsequently established the Nazi regime and autocratic rule by the head of state. They cite these as proof of how "the weapon of democracy is used to defeat democracy." These are all undeniable historical facts. What we need to add is some

"special news" from the United States today. On 19 October 1991, in the Louisiana State primaries, David Duke, a former leader of the KKK and a neo-Nazi, came second, by only two percentage points in the poll. This qualified him to enter the second round of polling. In the end, although he was not elected, he obtained 674,548 votes, or 39 percent of the total. In 1990, this person participated in the federal House of Representatives election and, although he was not successful, 44 percent of voters throughout the state and 58 percent of white voters gave him their vote. It can be seen that the claims that Western democracy is something miraculous are false. Such claims only mock facts and conscience.

In 1793, during the high tide of the French Revolution, when Madame Roland, a major leader of the Girondin faction, was being led to the guillotine by members of the Jacobin faction, she cried out in despair: "Oh Liberty, what crimes are committed in your name!" We might borrow her phrase and well ask: "Oh Democracy, what crimes are committed in your name!" We must have a clear understanding of how, in the Western democratic system, under the name of "democracy," there is actually a dictatorship of the bourgeoisie. The socialism adhered to by the CPC and the Chinese people is a wide-ranging and true democracy with which bourgeois democracy cannot hope to compare, and we are now making unwavering efforts to build a high degree of socialist democratic politics with Chinese characteristics.

QIUSHI on Rural Ideological Education

HK0104133892 Beijing QIUSHI in Chinese No 4,
16 Feb 92 pp 12-16

[Article by Chen Guangyi (7115 0342 5030), secretary of the Fujian Provincial CPC Committee: "Carry Out Socialist Ideological Education in Rural Areas in Depth, Efficiently, and in a Down-to-Earth Manner"]

[Text] Early last year, the Fujian Provincial CPC Committee decided, on the basis of its continuous efforts to conduct education on the party's basic line among the peasants in the past few years, and in accordance with the plan drawn up by the Central Committee, to conduct socialist ideological education in rural areas throughout the province with concentrated efforts in three groups over the next three years. Last March, socialist ideological education work teams comprising 34,900 members were dispatched to 941 towns and townships to conduct socialist ideological education among the first group of 5,861 villages, or 40.2 percent of the total number of villages in the whole province. Through conducting socialist ideological education, they used socialist ideas to occupy the rural front, used the party's policies to reassure the masses, and took the building of a socialist new countryside as the direction of development. Through their efforts, problems accumulated over the years were gradually resolved and party organizations at the primary level were strengthened. This greatly pushed forward the vigorous development of rural reforms and

the rural economy. The rural areas became more peaceful and united and full of vigor and vitality. All villages which conducted socialist ideological education saw profound changes in their economic situation, external appearance, and mental outlook. As the situation in many villages reflects, socialist ideological education has resulted in more people cherishing the state and showing concern for the collective, abiding by law and discipline and upholding justice, enjoying good relations with their family and neighbors, and working with selfless devotion and a pioneering spirit. Socialist ideological education has greatly aroused the enthusiasm and creative spirit of a vast number of rural cadres and masses, enabling Fujian to reap an all-around bumper harvest in a year of severe drought. Stage one of our socialist ideological education has proved convincingly that the policy decisions and measures of the Central Committee on carrying out socialist ideological education in the rural areas are correct. Socialist ideological education is not only widely accepted and warmly welcomed by the cadres and masses in the rural areas, but has promoted rural work in all fields. Practice has further strengthened our confidence in achieving greater success in socialist ideological education and in developing it in greater depth.

1. Make It Clear in the Guiding Ideology That Socialist Ideological Education Is a Basic Task in Building a New Socialist Country With Chinese Characteristics, Get Right on the Job and Refrain From Going Through the Motions

Building a new socialist countryside with Chinese characteristics is the eager wish of the vast number of peasants, the choice made by history for the development of the rural areas. The Eighth Plenary Session of the 13th CPC Central Committee has made it clear that this is the magnificent goal which our party must lead the peasants to strive for throughout the socialist cause. Based on the actual situation in Fujian, we put forward at the rural work conference of the provincial party committee early last year the basic concept of building a new socialist countryside in the primary stage of socialism. This basic concept may be summed up into the following six phrases which peasants will find easy to understand and remember: "Well-developed agriculture, new-style peasants, affluent life, civilized environment, healthy systems, strong leadership." The conference also put forward specific tasks and requirements. This is not only the goal for profoundly implementing the party's line and guiding the peasants to follow the socialist road in the rural areas. It is also an important aspect of socialist ideological education.

The task of translating the goal of building a new socialist countryside into reality is a formidable one. Due to the tendency to stress material progress at the expense of cultural and ideological progress, the peasants generally do not clearly understand many of the party's current policies for rural areas. For instance, some peasants believe that "there is no need to ask which line we are following as long as land is divided up and

allocated to individual households." Some even think that "all doctrines are good as long as they bring in renminbi." Thus, unless efforts are made to resolve ideological problems and consolidate the socialist ideological front in the rural areas, the goal of building a new socialist countryside will be out of the question. On this point, we have emphasized in our guiding ideology from the outset that based on strategic considerations, we must bring socialist ideological education within the framework of building a new countryside and put this in an important place on the agenda as an infrastructure project so that the two can promote each other. The idea is to use ideological education to promote the building of a new countryside, better implement the various tasks of socialist ideological education in the course of building it, and guide the peasants to advance one step at a time toward the magnificent goal.

Of course, ideological problems are not solved overnight, and their solution requires constant efforts. However, conducting education with concentrated efforts through the socialist ideological education movement, getting the work onto the right track, and making it a regular practice are not only necessary, but serve our purpose. To effectively strengthen leadership over this education movement, the party committees at the provincial, prefectural, and county levels have all established leading groups headed by their first in command. Functional organs have also been set up at all levels and a series of supporting measures have been formulated. From the provincial party committee down to leadership at various levels, leaders in the whole province are personally heading task forces to establish contacts, conduct investigations and studies at the grass-roots levels, and foster typical models. The provincial authorities selected Changle, Jianou, and three other counties as pilots for the implementation of various tasks of socialist ideological education, promptly summed up experiences, and popularized them in the whole province. To ensure that leaders do their part instead of going through the motions, we put forward the "three one-thirds" and "four compulsory regulations." What we mean by "three one-thirds" is that county party committee secretaries must spend one-third of their time at organs at the county (city) level, must spare one-third of their work force to grasp socialist ideological education, and that members of rural socialist ideological education leading groups under county (city) party committees must spend no less than one-third of their time at selected spots in the countryside. What we mean by "four compulsory regulations" is that villages which fail to pass the test must start their work all over; counties with a fail rate of 30 percent or above will be criticized in bulletins; units that are mediocre in performance must conduct self-examination and self-rectification to make up for their shortfalls; and units that have done a good job should be commended. Last year, after eight months of general socialist ideological education, we spent one month and organized more than 3,000 people to conduct check-ups with a view to ensuring quality. The result was: 5,528 villages, or 94.3 percent of the total number of villages

where socialist ideological education was carried out, passed the test, while 333 villages, or 5.7 percent, failed and needed intensive education to make up for their shortfalls. The general response of comrades and the masses was: "The success of the socialist ideological education is better than expected. Some peasants who failed to understand many of the developments in the rural areas in recent years said with deep emotion: 'Taken in all, it is the socialist road that holds promise, and it is the Communist Party that can bring benefit to the people.' Many ideological problems have now been basically resolved; the peasants feel more reassured; long-term goals have gradually been established; and the determination and enthusiasm for quadrupling output, achieving a relatively comfortable standard of living, and building a new countryside have been strengthened.

II. Take Ideological Education as the Main Task in Setting Priorities, Grasp the Five Tasks Simultaneously, and Guard Against the Practice of Empty Talk

Comrade Mao Zedong pointed out shortly after the establishment of revolutionary bases that, to arouse the awareness of the masses and expand the Red Army, we must truly show concern for and do our best to solve the problems of fuel, rice, cooking oil and salt as well as other problems of vital interest. Thus, in our work of unfolding socialist ideological education in rural areas, we must pay attention to combining efforts to enhance peasants' ideological awareness with concern for the material well-being of the masses. We must explain to the masses the reason why we must follow the socialist road and do concrete things that are of real concern to the masses to make this education more inspiring and convincing. The concept of the integration of theory with practice in conducting socialist ideological education was not there right from the start. It is the result of searching and groping through practice. In the beginning, some work teams thought that the socialist ideological education movement meant nothing more than conducting ideological education. They did not pay any attention to actual problems which the peasants brought to their attention. As a result, the peasants thought that the work teams did not care about them. The lack of understanding between cadres and the masses made it difficult for ideological education to go into any depth or show any vitality. Some work-team members also felt that they had no more business in the grass-roots level, as they had done their share of propaganda work. The provincial party committee discovered this problem in good time, pointing out that ideological education requires solid work despite the fact that it is something pertaining to ideology. They stressed the need to integrate theory with practice and to guard against the practice of empty talk, while also guarding against doing concrete things simply for the sake of doing things. Thus, when planning our tasks of socialist ideological education, we decided on the following five specific tasks in accordance with the three basic tasks put forward by the Central Committee: Use socialist ideas to occupy the rural front; promote the all-around vitalization of the

rural economy; stabilize our policies and intensify reforms; strengthen the building of village-level primary organizations with the party branch as the nucleus; and raise the level of socialist ideological and cultural progress in the rural areas. We emphasized the need to take ideological education as the key link, the development of the rural economy as the central task, and the strengthening of village-level party organizations as the foundation. At the same time, we also took care not to substitute concrete work for ideological education, or think that doing concrete work meant launching projects with funds. Using socialist ideological education to occupy the rural front and promoting rural work around the task of building a new countryside is the most concrete work in the rural areas. We must help the peasants perfect the two-tier management system, establish and improve the socialized service system, strengthen the collective economy, gradually achieve common prosperity, comprehensively improve public order, and improve the scientific and cultural qualities of the peasants. These are concrete things. The course of doing these concrete things is also the course of socialist education. Practice has proven that only by fulfilling all tasks handed down by the Central Committee in the course of conducting socialist ideological education will it be possible to avoid having "two layers of skin" and to conduct socialist ideological education in greater depth and in a more steadfast manner.

The concept of integrating theory with practice in conducting socialist ideological education has improved relations between cadres and the masses, given substance to ideological education, enabled the peasants to feel the greatness of the Communist Party through actual changes and to learn the reason why we must follow the socialist road, and improved the results of socialist ideological education. In Pantu village in Xicun town, Tong'an County, the tendency for the principal leading cadres to embezzle public funds and practice graft was serious. After being stationed in the village, the work team conscientiously and meticulously conducted propaganda and education, and sorted out financial matters in conjunction with the reelection of the village's leading body. Great changes took place in the village as a result. Due to the integration of theory and practice, and as a result of showing concern for them, the masses said with joy that thanks to socialist ideological education, "lights are lit, the water has been made pure, roads are built, our understanding has improved, and our vigor has increased."

III. Adhere to "Three Main Tasks and Two No-Attacks" in Work Method, Give Separate Guidance, and Make the Peasants Objects of Education as Well as Subjects in Conducting Education

Educating the peasants is a protracted and arduous historical task. As with all other tasks of the party, the key to the fulfillment of this task lies in having faith in, relying on, and mobilizing the masses, and getting the rural cadres and masses organized in diverse ways to carry out self-education and self-management. This way,

the peasants will become the objects of our ideological education as well as the subjects of rural socialist ideological education. This will make it possible for us to carry forward democracy to a fuller extent and understand the true thoughts and demands of the masses. At the same time, this will also enable the masses to truly experience their sense of responsibility and honor as masters of the country, and enhance their awareness and enthusiasm in taking part in socialist ideological education.

Some people had misgivings and fears about this socialist ideological education in the beginning. They were afraid of taking the same disastrous "leftist" road as they once did, thereby ruining the excellent situation in the rural areas and upsetting public morale. Thus, we have adhered to the method of "three main tasks and two no-attacks" throughout the process of socialist ideological education. This means persisting in taking ideological, positive, and self-education as the main tasks, helping more people by educating them and narrowing the scope of punishment. Particular emphasis was put on the need to guard against over-simplistic and crude methods of work, and to refrain from "requiring everyone to make a self-criticism so as to pass the test" and from making the cadres or the masses targets of attack. In the handling of problems which involved the violation of law and discipline, we took care, on the basis of thorough investigation, not to conceal, shelter, or exaggerate cases. Everything was done in accordance with routine procedures, and care was taken not to monopolize things which should be done by the masses themselves or leave any sequels. Thus, this socialist ideological education not only did not dampen the enthusiasm of the grass-roots cadres and masses, but was able to reassure the cadres and win the faith of the masses. Compared with the socialist ideological education movement of the 1960's, the peasants said with deep feeling: "In the past, people were attacked, criticized, struggled against, and locked up. Now people are given education, care, help, and warmth."

We must adhere to the "three main tasks" and "two no-attacks," neither evade problems nor resort to empty preaching, and make it our goal to enhance the purposefulness of ideological education and increase the effectiveness of education. On the basis of extensive investigation and study to ascertain the ideological problems of the masses, we unfolded education on six special topics, bearing in mind ideological and practical problems commonly found among the peasant masses. In view of the fact that some cadres and masses were feeling perplexed about socialism, we carried out education on the superiority of the socialist system to convince the cadres and masses that "only socialism can save China, and it is only under socialism that China can develop." In view of the fact that some cadres and masses had misgivings about the party's rural policies and were afraid of changes, we carried out education on the party's basic line and policy of bringing stability to rural areas to enhance their awareness in implementing the party's

policies. In view of the fact that some cadres and masses lacked vigilance against the corrosive influence of decadent bourgeois ideas and the tendency to "put money above everything else," we carried out education on "five encourages and five opposes" and "three considerations" to strengthen their concept of the state and the collective and help them clearly understand the need to stick to the socialist direction in reform and opening to the outside world. In view of the fact that evil practices had gained ground and that public order was chaotic in some localities, we carried out education on the socialist legal system to enhance the awareness of cadres and masses in observing law and discipline. In view of the fact that some primary party organizations were weak and lax, and that some party cadres lacked dedication, we carried out education on the party's basic knowledge and revolutionary traditions to enhance party cadre concepts of wholeheartedly serving the people. In view of the fact that some grass-roots cadres and masses had a blurred understanding of the direction of rural development, we carried out education on building a new socialist countryside to help the vast numbers of cadres see the prospects of rural development and clearly understand their goals, and to strengthen their sense of responsibility in building a socialist new countryside. At the same time, we also carried out education on key issues in accordance with the specific conditions of various localities. For instance, in the well-developed coastal areas, we carried out education on "what should we rely on to become affluent, and what should we do after becoming affluent?" In the mountainous areas in the hinterland, we carried out education on "how to shake off poverty and become prosperous by developing the commodity economy."

In conducting propaganda and education in the light of reality, various localities adopted lively, flexible, and diversified forms of education in accordance with the receptiveness of the masses, fostered a number of advanced units and individuals, and used typical examples to lead the way. For example, some counties organized report groups comprising outstanding party members, outstanding village cadres and advanced peasants, as well as report groups on the deeds of the late Gu Wenchang, an outstanding county party committee secretary. They disseminated the history of how the party made its start, the experience of those who became well-off, and the deeds of those who devoted themselves to their work, thereby giving form as well as meaning to education. Some counties invited veteran cadres, party members, and peasants to talk about traditions and history and to compare achievements, thereby giving concrete substance to education. Some counties guided the peasants to compare the situation before and after reform and encouraged the peasants to undergo self-education by looking at their own clothing, food, personal finances, and things happening around them, thereby strengthening the confidence of the peasants in intensifying the reforms. Many localities even combined the ideological education with the "three-joint effort" activities, where armymen and people were mobilized to

make joint efforts to learn from Lei Feng, promote socialist ideological and cultural progress, and carry forward the spirit of the Gutian Meeting, and unfolded education activities on the theme of "Socialism Is In My Mind." Some localities unfolded activities of sending books to rural areas, and sponsored seminars and exhibitions on science and technology to improve the scientific and technological and cultural qualities of the peasants. Some mobilized the masses to elect "law- and discipline-abiding households," "five-good families," and "materially and spiritually civilized households," and unfolded activities of grading peasants and party members by giving them a certain number of stars. Through self-appraisal, evaluation, and mutual encouragement, everyone was able to make improvement. Because the education had purpose and was conducted in ways acceptable to the masses, the peasants were willing to listen. The education produced good results because it managed to strike a sympathetic chord in the minds of the peasants.

IV. Pay Attention To Integrating Organization and Dispatch of High-Caliber Socialist Ideological Education Work Teams With the Establishment of "Work Teams That Will Never Leave" in Manpower Organization To Consolidate and Expand Achievements of Socialist Ideological Education

The dispatch of work teams proved an effective measure in conducting socialist ideological education with concentrated effort in the rural areas. Practice proves that the quality, work style, and growth of the work teams has a vital bearing on the success and quality of this movement. In places where socialist ideological education was successfully carried out, the work teams were really up to the mark in terms of quality, work style and performance, and image. To be "up to the mark in four respects," it is necessary to strengthen the growth of the work teams. We formulated a strict set of rules and regulations for the work teams. These include systems regarding study, report-making, attendance, and work, and work team members were required to strictly abide by these rules and regulations. Members of work teams identified themselves with the peasant masses, influenced the masses with their image as good public servants, and won the trust and support of the masses. Thus, they were able vigorously to promote the smooth and healthy progress of their work. In many localities, the masses cried when it was time for the work teams to go. They begged the work teams to stay longer, and gathered to see the work teams off. Some even presented silk banners to the work teams of their own accord.

However, the socialist ideological education work teams were, after all, only there to give short-term assistance. To make a success of socialist ideological education, it is still necessary to rely on the local primary organizations. Thus, we urged the work teams not to monopolize things which should be done by the masses themselves, and instead paid attention to "setting up permanent groups, blazing trails, and setting an example." We emphasized the need to establish "work teams that will never leave,"

consolidate the achievements of socialist ideological education, and lay a good foundation for regular education. To start with, efforts were made to establish strong party branches. This is the core to the establishment of "work teams that will never leave." In conjunction with elections in villages, appropriate candidates were selected and efforts were made to seek "talents" in various ways. Candidates were recommended by mass and CYL [Communist Youth League] organizations, selected from among demobilized soldiers, cultivated from among educated young people who had returned to their native villages, and promoted from among town and township enterprises. Efforts were made to do a good job of setting up the leading bodies, selecting party branch secretaries, and increasing the rallying force and fighting capacity of the village party branches. At the same time, efforts were also made to strengthen the establishment of village committees, militia, and CYL branches, women's federations, and other supporting organizations. Next, efforts were made to build up the rank and file. This is the foundation for the establishment of "work teams that will never leave." Through training, party and CYL members and cadres of reserve units were organized into backbone forces for launching regular socialist ideological education in the rural areas. Third, efforts were made to consolidate the position. This is the basis for the establishment of "work teams that will never leave." In towns and townships where socialist ideological education had been conducted, primary-level party schools were universally established. Most rural party branches also established party menber activities rooms, conducted radio and television broadcasting, recreational activities, library services, and other propaganda and cultural activities. A total of 5,452 peasant evening schools and 6,105 peasant study societies were also set up.

V. Extend Socialist Ideological Education From Villages to Towns and Townships, Call Upon the Departments for the Integration of Town and Country To Unfold Social Ideological Education With Grass-roots Centers and Stations Focussing Their Attention on the Promotion of Party Style and Clean Government, and Maintain Close Ties Between the Party and the Masses and Between the Cadres and the Masses

Grass-roots centers and stations in towns and townships are primary management organs for administration, law-enforcement, services, and so on. These units are numerous and deal with a wide range of matters. They are bridges between the party and government on the one hand and the masses on the other, and are the conveyor belt for the party's principles and policies. They are in direct service of rural work, and play an important role in promoting coordinated development between town and country. The work style of these centers and stations has a direct bearing on the image of the party and government among the peasant masses. Several years ago, we unfolded activities of promoting "the system of making public work procedures and results and accepting supervision from the masses," and promoting

party style and clean government. However, these activities failed to put a brake on unhealthy trade practices. In many units, "it was difficult to gain access, the staff members were unfriendly and prone to using bad language, and it was difficult to get anything done." They did not have a strong law-enforcement concept, and often abused their power by "arbitrarily imposing increases in three respects" to the resentment of the masses. The masses criticized the grass-roots centers and stations, saying, "we are afraid of going there, and often go away cursing them, but have to be nice and good as long as we are there." "They claim to be uncorrupted when they are not, and so-called clean offices are actually not clean." We understood that unless these problems were resolved, there was no way that socialist ideological education could be conducted in depth in rural areas. Thus, starting from July last year, we extended socialist ideological education to towns and townships, calling upon departments for the integration of town and country to unfold socialist ideological education, with grass-roots centers and stations focusing their attention on the promotion of party style and clean government. Some 3,000 grass-roots centers and stations belonging to 20 industries and trades, including public security, industry and commerce, taxation and agricultural guilds, accounting for 15 percent of the total, were selected in this exercise. They were required to tackle existing problems, refrain from going through the motions, and satisfy the needs of the masses.

In calling on departments for integration of town and country to unfold socialist ideological education, the important thing is to rely on education. We must persevere in taking the study of Comrade Jiang Zemin's "July 1" speech as our main task, give prominence to education against corruption and infiltration as well as education on the awareness of becoming public servants and on professional ethics, concentrate on strengthening the socialist belief of the vast numbers of cadres and workers of grass-roots centers and stations, and foster the concept of wholeheartedly serving the people. The provincial party committee organized a "Public Servant Report Group of Grass-roots Centers and Stations" comprising eight advanced collectives and individuals. The group traveled from place to place making reports, publicizing the public service spirit of "cherishing the people, being honest in performing one's duties, and working with great efficiency," and conducted propaganda in light of the special characteristics of individual centers and stations. For instance, the public security department organized activities of "three do's and three oppose's" (that is, be conscientious in handling all matters, big or small; handle all matters in accordance with law; take immediate action when something can be done; oppose special amenities; oppose extortion of confessions by torture; and oppose illegal arrest and detention). The banking system launched activities of "quality service, standardization, and institutionalization." All localities made positive efforts to explore the forms and means of relying on grass-roots centers and stations to unfold socialist ideological education. Sanming extended its "Satisfaction in

Sanming" activities for the development of ideological and cultural progress to various grass-roots centers and stations. In this city, 312 grass-roots centers and stations were organized to take part in joint efforts to develop civilized districts. Fuzhou relied on the rectification spirit to mobilize the masses to bring issues out into the open and conduct self-education. Different systems and units also took the initiative to expose evil practice, show their ideas, and bring issues out into the open. They carried out open-door rectification which involved self-rectification, self-confession, self-investigation and self-questioning.

Fundamentally speaking, the tackling of unhealthy trade practices requires efforts by centers and stations to improve their management systems and grasp the implementation of systems. In socialist ideological education, we further extended the coverage of "the system of making public work procedures and results and accepting supervision from the masses." With the spearhead directed against positions and links where the exchange of power for money and instances of cheating and making things difficult for peasants easily occurred, standardized systems for the promotion of clean government were formulated, and pilot units for the experimentation of these systems were established. Efforts were made to straighten out relations between grass-roots centers and stations on the one hand and towns and townships on the other. It was clearly stipulated that membership credentials in centers and stations should be placed under the unified management of town and township party committees, that appointments and dismissals of leading members should require the approval of town and township party committees, that democratic assessments of the leading bodies should be carried out at the end of each year, and that a network of supervision covering inner-party, administrative, legal, mass, and media supervision should be gradually established in the whole province in a bid to strengthen internal constraints. We formulated and started to implement the "Outline for Grass-roots Centers and Stations To Attain Their Targets in Three Years," striving to ensure that the majority of these centers and stations can reach the standard of civilized centers and stations after several years of hard work. Through socialist ideological education by departments for the integration of town and country, unhealthy trade practices in the majority of centers and stations were rectified, and a new atmosphere of rectifying mistakes as one engaged in study, serving the rural areas, agriculture, and the peasants prevailed.

Although we have achieved some success and gained much experience in conducting socialist ideological education in the rural areas during the past year, we are still a long way behind the requirements laid down by the Central Committee and the quality required of peasants to build a countryside of socialism with Chinese characteristics. Thus, the efficaciousness of socialist ideological education should not be over-estimated. We are determined to further enhance the sense of urgency and

responsibility, turn the guidelines of the Eighth Plenary Session of the 13th CPC Central Committee into the driving force, and make persistent efforts to deepen socialist ideological education in the rural areas in a more conscientious and effective way.

Ideological Debates on Current Issues, Theories

92CM02374 Beijing ZHENLI DE ZHUQIU
[PURSUIT OF TRUTH] in Chinese No 2, 11 Feb 92
pp 2-11, 13

[Article by Xu Yi (6079 3015): "A Chat About Current Economic Problems"]

[Excerpt] *In the course of its development, China's national economy may encounter numerous problems having a bearing on basic Marxist political and economic doctrine that require examination in accordance with the principle of linking theory to realities. This will be beneficial in clarifying rights and wrongs, will help in carrying out deeper reform and opening to the outside world, and will help the broad masses of cadres improve their theoretical understanding of practice during the past decade. This article is based on a collation of notes for speeches that the author made during 1991 at conferences for the discussion of fiscal theory. We feel that the ideas contained in this article may be incomplete or inappropriate in some regards; nevertheless, they are presented as a thesis, and provided for discussion in order to learn from the exchange of views in accordance with the policy of letting a hundred flowers blossom and a hundred schools of thought contend. This should be useful in improving the atmosphere for theoretical discussion and for advancing practical work. [passage omitted]*

A deeper reason for the tendency toward structural sameness and poor quality in the development of China's national economy is overemphasis on departmental selfishness and free competition to the neglect of the role of state macroeconomic direction in the development of a commodity economy. The one-sided advocacy of free competition under the rubric of optimizing the industrial structure to the neglect of, or in opposition to, centralized planning, and to the neglect of planned allocation of productive resources has inevitably resulted in structural imbalance, products that do not meet market needs occasioning sluggish sales, the accumulation of goods in inventory, a production slump, a rise in fixed costs, etc. The neglect of planning is bound to cause an increase in ill-advised actions that produce imbalance in input-output relationships, and is bound to create anarchy. Lopsidedness in the industrial structure is, to a certain extent, the result of this anarchical state of affairs.

We must intellectually spell out the distinction among the market mechanism, market regulation, and the market economy, and the greater role of markets in order to handle correctly the significance of a planned economy going hand in hand with market regulation.

Some comrades regard as a "market economy" all socio-economic activity involving the market exchange of commodities. They suppose that the development of a commodity economy means development of a market economy. Such an understanding is incorrect. Everyone knows that the market means that the method of exchange must be in accordance with the laws of value, i.e. exchange of equal value, and that a market economy means a socio-economic form that employs a mechanism for increasing capital as its orientation that is capitalist in nature. Bourgeois scholars term their own socio-economic form a market economy, and their urging some socialist countries to practice a market economy is not for the purpose of improving the commodity rate of those countries, but an attempt to change their socio-economic system. In their mind, only a commodity economy that has a capitalist form of production is a market economy. Some of our comrades do not realize this; they cannot see the socio-economic pattern that has been erected on the exploitation of hired labor, and that although socio-economic relationships are expressed in the form of commodity exchange, nevertheless, they are, in essence, completely antithetical to the general principle of a commodity economy, namely, the principle of exchange of equal value. Under the capitalist form of production, the laws of value have been transformed into the laws of surplus value. Unless one distinguishes between market regulation and a market economy, one cannot understand that the commodity economy that we are now building and developing, and the use of market regulation are, in reality, for the purpose of developing large-scale socialized production marked primarily by a division of labor. Therefore, the essence in the development of a commodity economy under a socialist production system is to increase the amount of goods produced for the purpose of exchange, which is the socialization of production. The greater the percentage of goods produced for exchange, the higher the degree of the socialization of production. So-called market regulation is actually a method whereby society fairly prices productive labor. Market acceptance means social recognition. In developing a planned economy, the role of market regulation must be seriously noted. This means considering production and marketing suitability in planning the main products in the national economy, other products whose production cannot be planned directly now being indirectly regulated and controlled by the market.

The CPC has produced a scientific thesis entitled, "Planned Commodity Economy" about the socialist commodity economy, which stresses that "planned" means the greater the socialization of production, the greater the need to emphasize planning. What is planning? In the final analysis it is consciously following the predictability of economic laws and consciously mastering the dynamic role of economic laws. Naturally, planning is limited by what is foreseeable and what is controllable. Given the complexity of the extremely uneven development of social productivity in China, what is foreseeable and what is controllable will be limited. When people's understanding of economic laws

is skewed, or when they violate them, mistakes can hardly be avoided. Therefore, we suggest constant summarization of practical experiences, constant plan reform and a plan control system, with constant perfection of the national economy's operating mechanism. Reform of planning and the system is for the purpose of improving volition and overcoming ill-advised action. One point of view maintains that the national economy is a large, not easily understood system, in addition to which some shortcomings exist in the planning and administrative system as a result of past planning errors. Thus, they maintain that genuine understanding of objective economic laws is very difficult, and controlling those laws is even less possible. Therefore, they tend to ignore planning and ignore overall balance in actual work. While criticizing the theory that the will of men determines everything in economic work, they refute man's subjective active role; they negate the active role of the superstructure on the economic foundation; and they negate the understability and controllability of objective economic laws, worshipping the market economy instead. This is to say that some people advocate intensive growth of the market economy. Impelled by this understanding, they regard a "market economy orientation" as the direction for economic system reform. They regard a "market economy" as a feasible economic model for socialism. In so doing, they mix the economic sphere of capitalist production methods with the economic sphere of socialist production methods, thereby mixing the "planned commodity economy" sphere founded on the system of public ownership, which has special socialist connotations, with the capitalist commodity economy sphere. They also lump together the economic categories of capital that we have eradicated in the socialist system of public ownership (capital is not a thing, but a relationship between the owners of the means of production and employed laborers), and the growth of capital with money and funds in a socialist society. I believe that such great problems in theoretical understanding should be thoroughly clarified through the method of letting a hundred flowers blossom and a hundred schools of thought contend.

3. Need To Enhance the Role of the State As the Main Entity in Investment

Never before has a loss of control over investment occurred like the present one. Past blunders occurred under a decentralized authority system and under a centralized authority system, but never did state interests conflict with those of enterprises and sectors. Instead, the conflicts were within the same main interest group and stemmed from insufficient understanding of the subjective as opposed to the objective. Some comrades do not comprehend this point, however; they suppose that both the so-called "investment starvation" and the "investment large common pot" are an outgrowth of enterprises lacking independent decision-making authority. They advocate a position of "independent commodity producer" for enterprises, thereby completely separating the state and enterprises, a system

of compensated investment being put into effect between enterprises and the state. They regard plant managers and directors as bearers of responsibility for increasing funds while also turning over to enterprise plant managers and directors investment decisionmaking authority, the state plan serving only to provide guidance (when actually it has an unlimited role). The result of such a way of doing things is that where enterprises are required to pay back what they borrow, they can only borrow, but repayment must be out of public funds; where enterprises are supposed to be responsible for their own profits and losses, they can only be responsible for their profits, but not for their losses; where they are supposed to be able to go bankrupt, only publicly owned property becomes insolvent, individuals bearing no such responsibility. The "vacuum" in such a mechanism has produced not only repeated inflation of investment in fixed assets in recent years but also has "miniaturized," "lightened," and "homogenized" the investment structure, thereby deforming the national economic structure.

The state is the general representative of the interests of the socialist system of ownership by the whole people and the system of collective ownership. level-by-level control is only a level-by-level responsibility system under the same main interest entity. The restraining mechanism inherent in the national economy of a capitalist society is "capital increase." This is identical with its system of ownership. Whether or not to invest is also limited by the objective laws of development of productivity, but whether investment occurs is limited by the capital growth mechanism. Where a socialist system of public ownership has been established and the workers have become masters of the means of production, the decision whether to invest or not is also bound to be a collective decision that corresponds to the form of ownership and to the economic responsibility system. Naturally, centralized decisionmaking does not equate with, nor does it negate, enterprises' relative decisionmaking authority and their subjective active role.

3. Some Thoughts About Price Issues

The freeing of market prices and the institution of a two-track system for state-owned enterprise plan prices since 1984 have resulted, to a certain extent, in a tilt of plan prices toward free prices, price policy tilting in the direction of the privately-owned economy and the individual economy. Implementation of a "two-track price" system for the means of production means cutting prices of materials under plan control into three segments. One segment is called the plan price, which may not be changed; another segment is called the state guidance prices, which enterprises may allow to float as appropriate; and the final segment is called the market price, which may rise freely with the market once a product has left the factory. Thus, several prices may apply to the same item, and the market price is frequently between 1 and 5 times higher than the plan price. This pricing pattern provides the conditions for some people to manipulate prices of the means of production, to buy goods solely for the purpose of reselling them at a profit,

to sabotage the socialist economic order, to misuse authority for private gain, and to engage in unhealthy practices that undermine socialism. Meanwhile, large and medium-sized state-owned enterprises that enforce state plan prices find themselves largely in a passive and vulnerable situation, and they gradually become losing enterprises. They enforce plan prices for almost all of their products, yet the market price of the raw and processed materials that they use in production increases steadily. They must buy at high prices, but they may not sell at high prices. Consequently, ever since 1984 the cost-profit ratio of state-owned industrial enterprises has averaged only 16 percent, and the funds-profit rate has averaged only around 14 percent. Since 1987, in particular, these two main indicators of economic returns have fallen about 10 percent. Since the "slide" in economic returns is difficult to halt quickly, they have fallen even lower during the past 2 years. Meanwhile, production costs have climbed steadily year after year. The rate of escalation of comparable product costs has been 2, 7.5, 7.4, 5.7, 15.5, and 23.4 percent each year since 1984. The purchase of raw materials at high prices and the inability to sell finished products at high prices because of the two-track system was the cause of the escalation of costs about 60 percent of the time, resulting in more than one-third of all enterprises incurring losses. At the same time, the two-track system produced an abnormal tilt in the distribution of returns. This made distribution highly unfair, and also caused large and medium-sized state-owned enterprises to face a serious loss of blood. This shows that the two-track price system is both an important reason why enterprises get into a predicament, and it is also an important reason for public discontent about the unfairness of distribution. We should be seriously concerned about this.

Under a private ownership system, products produced by equal amounts of labor that are not priced equally cannot be exchanged. Under capitalism, unless there is equal profit from the same amount of capital, exchange is impossible. When exchange cannot take place, a crisis is bound to occur. Under a socialist system of public ownership, the return to be realized from the labor used in commodity production will inevitably be set by a decision of the highest representatives of the socialist system of public ownership (the functional departments of state power), and application of the laws of values, the availability of resources used as a basis for drawing up a plan price that both helps guide production and also helps guide consumption. In addition, the regulation mechanism for regulating comparative price relationships will be applied to guide market supply and demand relationships in controlling the market mechanism. Specifically, this means that the formulation of plan prices is based on the availability of resources, application of the laws of value, and the market mechanism. It must be consistent with the requirements of planned proportional laws and of socialist basic economic laws. Therefore, in determining plan prices, tax collection policies, and the enterprise financial system (including the whole system of profit withholdings, wage policy, and the scale

of cost expenditures), the partial interests of enterprises must be reconciled with the overall interests of the country to form a benefits limiting mechanism in which advantages and disadvantages are mutually shared. During the 1950's, we applied this kind of mechanism. At that time, the management responsibility system within enterprises was on a fairly sound footing. For example, "the two participations, one reform, three-in-one combination method" used in the Qinghua Tool Plant, and the *30 Articles for Industry* appended to the *Anshan Iron and Steel Works Constitution* were part of the tough limitation mechanism. Not only was enterprises' economic accounting fairly well developed at that time, but their economic responsibility systems were also fairly sound. External conditions (principally prices and supplies of raw and processed materials) were also fairly stable and assured. Although prices of the means of production were fairly low at that time, the means of production sector still made a profit. During the First Five-Year Plan, the cost-profit ratio was approximately 33 percent, and the funds-profit rate was approximately 23 percent. Later on, for various reasons—mostly the "Great Leap Forward" and the "Great Cultural Revolution"—these fine and effective systems were destroyed, and both prices and wages were frozen. During the present reform, however, the removal of wraps from markets has wrecked the plan, one price for an item becoming many prices for the same item. I believe that, under socialism, specially controlled goods (by which I mean strategic materials affecting the national economy and the people's livelihood) should be under monopoly state control, a single price maintained for a single item with plan prices set on the basis of a rational price ratio in order to build a rational price structure. Adjustment of price parties, which is to say adjustment of the price structure, is a built-in mechanism for price levers to play a role.

The two-track price system also causes a wholesale flow of national income into the pockets of private persons and profiteers. For example, the gross industrial value of means of production in 1990 was 1.21 trillion yuan, only 200 billion yuan of which accrued to materials departments. Of the remaining 1 trillion yuan, 500 billion yuan was for electrical and mechanical products. After deducting this portion, the remaining 500 billion yuan went for raw and processed materials. Were the two-track price system to be abolished, monopoly control of materials instituted, market prices held down by a single price for a single item, prices in the product line-up readjusted, and ex-factory prices raised at an equitable price ratio to 200 billion yuan (approximately doubling them), it would be possible to gain for enterprises 200 billion yuan that now flows elsewhere. This would both rescue large and medium size state-owned enterprises from their predicament, and it would also virtually eradicate losses attributable to policies. I believe that such a structural price readjustment would not lead to price inflation. Were it to have an effect on consumer

goods prices, wages could be appropriately adjusted. This could cure at the source the present chaotic price relationships.

4. Correct Implementation of the Principle of Distribution According to Labor

A problem of inequitable distribution exists in Chinese society today. In addition to the distribution gap that is attributable to the existence of different systems of ownership and unhealthy tendencies in society, it is mostly the incorrect implementation of the principle of distribution according to labor within the public ownership system that causes the inequitable distribution. Distribution according to labor is a basic economic system. During the period immediately following the founding of the People's Republic, China's socialist wage system was substantially equitable. The so-called "large common pot" (egalitarianism) did not begin until 1958. It was entirely different from the eight grade wage system used during the period immediately following the founding of the People's Republic. Since the beginning of economic system reform, we have criticized the egalitarian trend that existed in the past, and this is correct. In actual work, however, too much emphasis is frequently placed on individual interests and partial interests with the result that a new form of inequitable distribution has come about. It is manifested primarily in a neglect of basic labor management work when readjusting wages, and failure to use a manpower quota system and a quota system for production. This produces unfair distribution within enterprises in which weal and woe are not equally shared, and which produces egalitarianism that dampens the interest in working of a number of staff members and employees. In the absence of a scientific and rational manpower quota system and a quota system for production, enterprises have no standards for employing labor, which makes the evaluation of labor extraordinarily difficult. Socialized large scale production requires that labor evaluation standards be uniform throughout society. One cannot say sweepingly that "whoever makes a great contribution gets a wage increase," or subjectively give staff members and workers wage increases willy-nilly. The subsequent reform whereby wages are at the enterprise's own expense places too much emphasis on linking wages in an enterprise to the amount of taxes and profits it pays, or even linking them to the size of the enterprise. This intensifies inequality among enterprises and industries, and it also adversely affects the state's financial revenues. The "labor" in the principle of distribution according to labor means socially necessary labor; it does not mean the "labor" of individual enterprises and individual laborers. The quality and quantity of labor must be judged in terms of the whole society, since the labor required to create value is abstract labor. Only when specific labor is socially recognized can it be effective labor, and can it be transformed into social labor. Today's wage standards are divorced from the social labor standard and are linked solely to one particular aspect of an enterprise. This violates the labor theory of value.

Therefore, methods that seek to find standards for "distribution according to labor" within enterprises themselves cannot possibly solve the problem. Solution to the problem lies in perfection of the wage system, the state using the degree to which the labor productivity rate for society as a whole is increased as the standard for determining the extent of wage increase. All methods that link various wages with individual enterprise criteria must be abolished, the state setting uniform wage grades and grade differences, and the state uniformly setting standards for evaluation and setting grades. Enterprises must perform evaluations, raise grades, and issue bonuses on the basis of technological and economic norms. In addition, the state should readjust the wage structure as changes in the consumption pattern warrant and on the basis of the existing level of productivity, limiting the overly promiscuous issuance of bonuses, and widening within reasonable limits income differences among individual workers. Bonuses may be linked to enterprise earnings within controllable limits. The problem of overly high wages paid in the three kinds of partially or wholly foreign-owned enterprises must be solved appropriately. The three kinds of partially or wholly foreign-owned enterprises must withhold a certain percentage of wages for the social security fund, thereby enabling staff members and workers to enjoy social labor protection and welfare and welfare guarantees. These funds must be turned over to the state, otherwise, enterprise staff members and workers who leave the enterprise would not be able to continue to enjoy these benefits, which would be unfair.

5. Consolidation of the Public Ownership System Through Enterprise Reform

Enterprises are basic units in the operation of the national economy. The difficulties that state-owned enterprises have encountered in recent years are attributable both to dislocations in the economic operating mechanism brought on by state macroeconomic policy mistakes, and also to enterprises' own administration and management. In handling the relationship between the state and enterprises, contracting is done through two fundamentally different operating mechanisms. One is contracting that uses the socialist economic responsibility system as its basic operating mechanism. It can effectively spur enterprises to perfect their administration and management, and improve their economic accounting. At the heart of this contract responsibility system is the linking of economic responsibility to the personal interests of the entrepreneurs. Authority, responsibility, and returns are all part of a piece. Nevertheless, in the actual process of implementation, because of the detrimental affect of small scale production methods, some jurisdictions have changed the economic responsibility mechanism's contract responsibility system into a "three own's and one contract" style responsibility system (namely responsibility for one's own accumulations, one's own development, and one's own profits and losses, and then contract assignments and forget them). The thinking behind such a contract

system is essentially a reflection of the small producer's "self-choice, self-struggle, and self-realization" mentality applied to the enterprise management system.

Intensification of economic system reform, and perfection of the enterprise operating system requires a correct understanding of the significance of a proper separation of state-owned enterprise ownership rights and operating rights. In analyzing the separation between ownership rights and operating rights that occurs in the capitalist form of production, Marx conducted an examination in the context of the multiplication of capital. Operators actually act on behalf of the interests of the owners. Thus the separation is only appearance rather than substance. In China's state-owned enterprises, the means of production are owned by the whole people, and the representative of the whole people is the state. The managers of corporations and enterprises are only state-mandated representatives, i.e., mandated operators. The responsibility of a director or plant manager is to manage and administer publicly owned social wealth and to serve all members of society. They can neither act on behalf of individuals to infringe the public interest, nor represent the staff members and workers of an enterprise to the detriment of the national interest. Therefore, the character of enterprises cannot be changed on the pretext of separating ownership rights and operating rights. Recently, some suggestions have been made in the course of reform of the administrative system of state-owned enterprises that are not compatible with the perfection of socialist production methods. Examples include the use of the vulgar proletarian rights theory to explain public ownership, and the use of the "theory of an enterprise-based economy," and "equity theory" to change the nature of property rights in the system of ownership by the whole people. When the state-owned economy cooperates with other components of the economy in a socialist system, the share system may be used. This is because the state's equity can attract private capital and foreign capital to serve socialism. Therefore, Lenin termed this "state capitalism." However, if the share system is used to change the system of ownership of the means of production by the whole people, that will mean that those holding shares for which they paid can use their participation in capitalization to obtain management rights and decision-making rights. Thus, the character of the system of ownership by the whole people is changed. One other suggestion is that state-owned enterprises themselves practice the share system, "quantifying" to individuals all of the means of production of the whole people according to the number of staff members and workers in an enterprise, assigning a value to them, i.e., using a share system. This is actually a dividing up of publicly owned property.

I believe that the deepening of reform of the enterprise administration and management system must be based on individual corporations building and perfecting an economic responsibility system in which enterprises are responsible to the state; that spells out after tax contracting in the establishment of a new financial relationship for the division of taxes and profits; and makes the

enterprise financial system uniform, canceling all measures profiting unfair preferences, and plugging all loopholes. Of course, problems left over from the past must also be properly handled.

6. Cursory Discussion of the Pluralization of the Economic Structure

An undeveloped commodity economy and extremely uneven development of social productivity are the material foundation that define China as still being in the initial stage of socialism. Insufficiently developed productivity and attendant unevenness make it necessary to permit the simultaneous existence of different forms of ownership. However, permitting multiple forms of ownership to exist simultaneously does not mean that the socio-economic structure is "mixed" and "plural." A plural socio-economic structure has never occurred in the history of China, nor has it ever occurred in the history of the world. The uneven development of productivity is absolute, however, in every age the most advanced production relationships that the most advanced productivity has produced have held a dominant position. These production relationships produce their own superstructure, and shape the production mode of a certain historical stage, becoming the dominant force in determining this society's national economic activity. This is the "light that illuminates all things" about which Marx spoke in discussing social production methods.

What determines the character of a society? It is the ownership of the means of production, and it is the ownership system that holds the dominant position in the national economy.

In feudal society, landlords occupy the dominant position with regard to land as a means of production in social production. Because of the unevenness in the development of productivity in such a society, the production relationships of a slave system still exist, however, we have never said that such a society is a plural feudal and slave structure. Likewise, take the capitalist United States, which has a national capital monopoly and an international capital monopoly production method, but in which small scale free capitalist production relationships and feudal production relationships, or even the production relationships of a slave system, exist at the same time. Nevertheless, no one says that the United States is a "plural structure" social system. Here in China, the system of ownership by the whole people is the economic foundation for the four basic principles. If one were to term our socio-economic structure pluralistic because of the unevenness in development of productivity, the existence and limited development of non-socialist economic components that policy allows, and the diversified economic components this engenders, this would contravene the Marxist definition of a socio-economic structure, namely, the monism of social production methods. The political need for pluralism in the socio-economic structure is to bring about a multiparty system in order to change the superstructure's

dictatorship of the proletariat into a multi-class and actual dictatorship of the bourgeoisie.

Establishment of the Dominant Position of State Finance in the Distribution System

Once a certain form of production has been established, the most vibrant matter and the matter of decisive importance in the process of developing and consolidating this production method is the distribution method that this method of production prescribes. According to basic Marxist doctrine, the form of distribution includes two components—the allocation of resources (i.e., the distribution of the elements of production) that productivity determines and that react on the development of productivity, and the production relationships that determine production relations and regulate people's interest relationships. Distribution methods reflect the ability of the ruling class to apply distribution levers in keeping with the inherent laws of conflict involved with production methods. The distribution method is the decisive element in "judging" the production method; it is an important device for its self-perfection.

The relationship between the allocation of resources and distribution as the two components of the method of distribution is not an independent one; instead, they mutually affect and interact with each other. A rational resources allocation structure must be consistent with the objective laws of social reproduction; however, this rationalness is both limited by the extent to which people understand the laws of the development of productivity, and also by the distribution relationships (interest relationships) that production relationships determine. In forms of social production in which antagonistic contradictions exist in distribution relationships, when productivity develops to a certain degree, intense conflicts and clashes are bound to occur with the production relationships that contain them. The distribution method that plays the main role in moderating and regulating the conflicts and clashes in productivity and production relationships at this time will gradually lose their active and dynamic role and move in the opposite direction—intensifying the conflicts and clashes in productivity and production relationships.

What is the essential feature of the socialist distribution method? I believe it is the socialization of distribution that the socialist production method prescribes, i.e., the dominant function of the state as the true representative of society in the allocation of resources and the distribution of benefits. The socialist production methods that the system of public ownership of the means of production prescribe, and the dual status of the state as both owner of the means of production and manager of socio-economic activity determine that the state must conform to the objective need for the socialization of distribution. It must hold the principal and the dominant position in the allocation of resources and the distribution of benefits.

In a fundamental sense, the method of distribution that socialist production methods prescribe is the dialectical unity of the optimization of resources allocation and the reasonable distribution of benefits. The make-up of productivity and the level of development of productivity resulting from the allocation of resources largely determines the make-up of the distribution of benefits, as well as the benefits distribution mechanism. Moreover, the benefits distribution structure (which is largely determined by policies and the system) plays a guiding role with regard to the resources allocation structure to a very large extent. However, if the programs, policies, systems, and plans we draw up do not conform to the laws of economic development, this will show up either in an irrational resources allocation structure, which will lead to a distortion of the benefits distribution structure, or it will show up in a distortion of the benefits distribution mechanism, thereby producing mistaken guidance for the allocation of resources. The result will be to block the development of social productivity. Under these circumstances, the allocation of resources and the benefits mechanism as two aspects of the socialist distribution system will intensify conflicts.

Both basic Marxist doctrine and China's practice in the building of socialism show that the dominant role of national finance in the distribution system is of important significance in consolidating socialist production methods. Our noting this point most certainly does not mean that national finance should return to the pre-reform highly centralized economic management system, nor is it to espouse simplistically a rise in the "two percentages." However, it is to demand that the national financial sector get out of the old conventional pattern of "receiving, paying, balancing, and managing," conscientiously occupying the high ground of developing and consolidating socialist production methods. It should draw up policies, laws, regulations, systems, and plans based on its understanding of the laws of development of socialized large scale production, targeting total products and national income to guide the allocation of resources and the distribution of benefits in assuring the scientific formation of the economic operating mechanism.

Establishment of the dominant position of socialist government finance in the pattern of distribution requires adherence to the following principles in theory and in practice:

First, whether the dominant position of national government finance in the distribution pattern can be established is a political question. State macroeconomic decisionmaking goals that are devoid of government financial support can only be empty talk. In terms of production relationships, public ownership of the basic means of production guarantees the fundamental consistency of society's long-term and short-term interests, and of partial interests and overall interests. Furthermore, owing to the uneven development of China's productivity, the consistency of these fundamental interests are also realized in the midst of complex contradictory

activities. This requires that national finance use its dominant position in the distribution pattern for correct and vigorous handling of all conflicts of interests.

Second is making the distribution of benefits rational, with the goal of developing and consolidating the socialist production method, guiding and conditioning optimization of the resources allocation structure.

Fairness in the distribution of benefits is not without class differences. When multiple ownership systems exist in the economy, there are bound to be conflicts and clashes in the distribution of benefits between the different ownership systems in the economy. Concretely, three principles are involved in so-called fairness in the distribution of benefits as follows: First is to follow the rule of exchange of equal value, an equivalent amount of labor receiving equivalent compensation, and an equivalent performance should make an equivalent contribution to social development. Second, at a certain stage, some preferential benefit distribution policies should be instituted with respect to the economy that is under a system other than ownership by the whole people, and particularly with respect to foreign capital, which can bring in sophisticated technology. Third, if multiple economic components are permitted to co-exist, the existence of capital must be permitted, which is likewise to permit the existence of exploitation; however, exploitation must be limited.

Third is upholding the dominant role of distribution according to labor in the distribution of income, inculcating the guiding thought of the "three large funds," and the "six deductions" that Marx noted in his *Criticism of the Gotha Program*.

How can government finance be extricated from its present difficulties? Today, central government finances are in difficulties, local government finances are in difficulties, and state-owned enterprises are in even greater difficulties. A major readjustment of the distribution pattern must be carried out after the national

economic structure and proportional relationships have been straightened out. China's national income now amounts to more than 1.4 trillion yuan, but much of it is lost. Under the existing system, revenues that should be collected are not collected, and the large losses are the main reason for the disarray in the national economic operating mechanism. The "three difficulties" mentioned above must be overcome. The main emphasis during the near-term must be placed on staunching loss of government revenues. This is both a strategy for opening sources of revenue and a basis for rectifying the economic order.

Second, we must make up our minds to solve problems in readjusting the economic structure. We must make the painful decision right now to dare to face tough issues, focusing on readjustment of the amounts presently available while increasing the amount, genuinely straightening out the main proportional relationships in the national economy.

Finally is reform of distribution relationships between the central government and local governments, and between the state and enterprises. A tax sharing system must be created in which rights and responsibilities are commensurate, and this must be used as the basis for a new government financial system, genuinely achieving a situation in which top level government has top level powers, a top level tax basis, and top level financial strength. The state and enterprises should use the "taxes and profits sharing" principle founded on the building of a truly economic responsibility mechanism for readjusting distribution relationships, building economic responsibility systems, instituting an after-tax "profits and losses responsibility system" of profits contracting. Readjustment of the distribution of benefits would thus be used to ensure that state-owned enterprises are the main entity for carrying out state industrial development policies, thereby overcoming the mistaken way of doing things of today in which the contract responsibility system pits the state's interests against enterprises interests.

NATIONAL AFFAIRS, POLICY

Official Outline on Enterprise Management

HK1403141092 Beijing JINGJI GUANLI in Chinese
No 2, 5 Feb 92 pp 10-20

["Outline for Enterprise Management Modernization During Eighth Five-Year Plan in China", based on 1991 Document No. 12 of the State Enterprise Guidance Committee and Production Committee]

[Text] **Table of Contents** Explanatory Notes Introduction I. Guiding Principles and Strategic Objectives II. Strategic Management III. Promoting the Perfection of Management Mechanisms IV. Total Optimization of Enterprise Management V. The Fundamentals of Management and On-Site Management VI. Management of Technological Advances VII. Computer Management Information System VIII. Dissemination and Improvement of Modern Management Methods IX. Group Operations X. Management of Export-Oriented Enterprises XI. Development of Human Resources XII. Cultural and Ideological Development in Enterprises XIII. Leadership and Measures

Explanatory Notes

1. The current Outline is formulated in accordance with the relevant principles and policies of the party and state as well as the Outline of the 10-Year Program and Eighth Five-Year Plan for National Economic and Social Development. It is a document for guiding enterprise management modernization during the Eighth Five-Year Plan (1991-1995).

2. The current Outline systematically unfolds its content in the light of the practice and development trend of enterprise management modernization in our country, on the basis of the realization in the main of the switch from simple production to production-operation in enterprise management, and centering on the basic concept of taking improvement of economic performance as the main task while making further efforts to bring about the shift of emphasis from intensive to extensive management. It attaches importance to tackling strategic issues in management modernization, sets the mind thinking, fixes objectives, charts the orientation, and smoothes the road ahead. Questions of tactics and specific operations are to be resolved by individual departments, localities, and enterprises in the light of their actual conditions.

3. The current Outline is the deepening and development of the Outline for Enterprise Management Modernization during the Seventh Five-Year Plan on the basis of practice. The contents of these two outlines dovetail with each other, showing continuity and development by stages. On the whole, the basics of enterprise management modernization already discussed in the Outline for the Seventh Five-Year Plan are briefly mentioned and not elaborated on in detail in the current Outline. The

stress is on deepening and development. Due to uneven development between enterprises and between different management projects launched within the same enterprise, the departments (trades), localities, and enterprises concerned should organically combine the contents of the two enterprise management modernization outlines for the Seventh Five-Year Plan and Eighth Five-Year Plan, take all factors into consideration, and not treat the two outlines separately.

4. The current Outline puts its weight on enterprise management modernization. General aspects and requirements regarding the strengthening of enterprise management have already been stipulated in other relevant documents and are therefore not repeated here. Although some of the contents of management modernization put forward in the Seventh Five-Year Plan Outline have already been disseminated, they are still given the necessary emphasis and supplement in the current Outline for the purpose of promoting their consolidation and improvement.

5. The promotion of enterprise management modernization must be closely combined with intensification of reform and the promotion of technological advances. The two must develop side by side. However, as an outline for enterprise management modernization, it is inadvisable to delve into the specific contents of enterprise reform and technological advances. Thus, the current Outline is primarily concerned with issues like how to make enterprise management modernization cater to and promote enterprise reform and technological advances. It seeks to consolidate and improve the achievements of reform and technological advances and to fully bring their respective roles into play.

6. Practice proves that in promoting enterprise management modernization, it is not sufficient just to make short-term arrangements for one year only. Long-term strategic considerations are necessary. However, as a soft science, it is very difficult for enterprise management to accurately forecast changes over the next five years when formulating long-term development programs. Thus, the current Outline can at best offer a strategic plot and blueprint for enterprise management modernization during the Eighth Five-year Plan. In making yearly arrangements, it is still necessary to address issues regarding specific contents and the pace of implementation in the light of changes in actual conditions.

7. The current Outline shall apply to industrial and communications enterprises. Enterprises in other trades may take this Outline for reference.

Introduction

Promoting enterprise management modernization is an important component part of achieving socialist modernization with Chinese characteristics. It is put forward by the party Central Committee and the State Council with a view to ensuring the realization of the grand objectives of the four modernizations in China. The 13th National Party Congress clearly pointed out: "Modern

science and technology and modern management are the decisive factors in improving economic results and the principal means of enabling the economy to advance to a new stage of growth." It also pointed out: "Advances in science and technology and the improvement of management will basically determine the progress of China's modernization, and the revitalization of our nation hinges upon them." Recently, the 7th Plenary Session of the 13th CPC Central Committee pointed out: "The 1990's will be a crucial period in the historical process of China's socialist modernization." The next 10 years will see a myriad of changes in the world political situation. Science and technology will forge ahead, bringing about daily changes, and market competition will become more intense. Our socialist enterprises will be faced with grave challenges but they will also see new opportunities for development. We must respond to the party Central Committee's call, increase our sense of responsibility to history and our sense of urgency about the needs of the times. We must lose no time in promoting enterprise management modernization with the strategic needs in mind in order to promote the sustained, stable, and coordinated development of the national economy, and ensure the realization of the strategic objectives of "quadrupling the 'GNP' and 'achieving a relatively comfortable standard of living' before the end of this century."

Over the past 10 years, through the "comprehensive consolidation" of enterprises and experiments in enterprise management modernization during the Sixth Five-Year Plan, and through implementation of the State Council's Decision on Certain Questions Regarding Strengthening Management of Industrial Enterprises and the practice of the Outline for Enterprise Management Modernization during the Seventh Five-Year Plan, the majority of the nation's large and medium-sized enterprises, and small enterprises with solid foundations, have achieved substantial progress in modernization under the impetus of reform. Enterprise management has gradually been brought onto the track of taking economic results as the central task and changed from a purely productive mode to one which combines production with operation. This is a historic change in enterprise management in China. The major manifestations of this change are: The sense of enterprise operation and concept of market competition have been strengthened. New enterprise management mechanisms have been initially formed in the course of reform. The responsibility system of the factory director (manager) and the system of production command and operational management with the factory director at the head have been established. Attention has been paid to personnel training and a contingent of competent managers has been initially built. The organizational form of enterprises has developed from unified straight line management to flexible and diversified management and the enterprise structure has gradually developed from "big and complete" and "small but complete" units into highly professional complexes through the establishment of enterprise groups. Modern management methods are

gradually being popularized and developed from single to multiple applications. There is increased application of electronic computers in management, with single applications being superseded by systems applications. Some enterprises have introduced on-line systems. In some enterprises, the optimization of management functions has been developed from local to full fledged. Export-oriented enterprises have gradually increased in number and some have embarked on the road of international operations. In short, thanks to the promotion of management modernization, enterprises have improved their quality, increased their vitality, and achieved better economic performances. However, enterprise management in China, on the whole, has still not fundamentally shaken off the shackles of the old mode of management and the great potential of enterprises has yet to be fully tapped. Through economic improvement and rectification in recent years, it has been generally revealed that most enterprises have poor quality and adaptability due to poor external environments. Practice proves that in order to run socialist enterprises better, we will get nowhere simply relying on speed to achieve a better performance and taking the road of extensive management. We must strive to turn enterprise management from a system which relies chiefly on extensive means to one which relies chiefly on intensive means as quickly as possible. This is a new strategic change which we must strive to bring about in future enterprise management. It is also a new and more formidable strategic task confronting enterprise management modernization in the 1990's.

The Outline for Enterprise Management Modernization During the Eighth Five-Year Plan in China is formulated on the basis of summing up practical experience in enterprise management modernization to realize the abovementioned strategic tasks. It is the deepening and development of the Outline for the Seventh Five-Year Plan and is the strategic plot and blueprint for the promotion of enterprise management modernization during the Eighth Five-Year Plan. The purpose is to guide the vast number of enterprises, primarily large and medium-sized industrial enterprises, to practice, create, and develop on their own in order to bring our enterprise management to a new level.

1. Guiding Principles and Strategic Objectives

1. The promotion of enterprise management modernization requires enterprises to meet the objective needs of the development of modern productive forces, actively apply the achievements of modern science and technology, including the thoughts, theories, and technologies of modern management, in accordance with the law of development of the socialist planned commodity economy; effectively carry out management, produce optimum economic results; and strive to reach advanced world standards.

Based on the actual conditions in China, revolving around the realization of the strategic objectives of enterprises, and in accordance with the requirements of

systems concepts and total optimization, efforts must be made to achieve modernization in such respects as: Management personnel, management ideology, management organization, and management methods and means, and organically combine these aspects of modernization with various management functions (decisionmaking, planning, organization, command, coordination, control, stimulation, and so on) to form a socialist modern enterprise management system with Chinese characteristics.

2. The guiding principles to be observed are as follows:

- Implement the party's basic line, uphold the four cardinal principles, persist in the reform and open policy, resist bourgeois liberalization, and ensure that enterprises develop along the socialist direction.
- Adhere to the Marxist stand, viewpoint, and method, and apply modern scientific theories like the systems theory, cybernetics, and the information theory to guide enterprise management modernization.
- Develop the spirit of plain living, hard struggle, and building the country through diligence and thrift, fully tap the potential of enterprises, and take the road of small input for large output and developing the economy chiefly by intensive means.
- Persist in combining enterprise management modernization with the intensification of reform and technological advances in order to improve the overall quality and increase the vitality of enterprises.
- Implement the policy of "widely soliciting the views of others while attaching importance to views of our own and extracting the best for our own use" and, on the basis of promoting the finest of China's traditional management and conscientiously summing up experience in enterprise management since reform and opening, persist in proceeding from the actual conditions in China and learning from the advanced management experience of other countries to establish and perfect a socialist modern enterprise management system with Chinese characteristics.
- Persist in grasping material, cultural, and ideological progress simultaneously and promote the coordinated development of material progress and cultural and ideological progress. Wholeheartedly rely on the working class, establish management concepts which center around man, strengthen democratic management, promote the development of the legal system, and fully arouse the enthusiasm and creativity of enterprises and their staff and workers.

3. Strategic objectives and requirements:

1) Gradually establish and perfect new enterprise management mechanisms and management means in accordance with the requirements for establishing a new structure of planned commodity economy and operational mechanism which combines the planned economy with the use of market forces, taking realization of the Eighth Five-Year Plan and 10-Year Program for National Economic and Social Development as the general strategic objective and the promotion of the shift

from management by extensive means to management by intensive means as the principal strategic task, in order that enterprises will: Truly enjoy management autonomy; assume responsibility for their own profits and losses; have the ability to upgrade, develop, and control themselves; and will be able to meet the needs of changes in the external environment and competition in domestic and international markets.

2) Efforts must be made to consolidate the achievements of economic improvement and rectification and, under the guidance of the state's industrial policies, to rationalize the enterprise structure and the product mix. It is also necessary to strengthen management with regard to quality, variety, and performance, actively promote management modernization, and strive to achieve breakthroughs in these respects.

3) Requirements regarding the major economic and technical indicators:

It is necessary to implement management by intensive means through application of advanced technologies and the promotion of management modernization. The basic requirements are: To improve the quality of products, stress the marketability of varieties, reduce material and labor consumption, achieve a rational distribution of production factors, and increase the returns on funds utilized and the utilization rate.

Where the principal products of large and medium industrial enterprises are concerned, it is necessary to organize production in accordance with international standards or advanced world standards. Over 40 percent of the principal products must be up to advanced standards of similar products from the 1980's, with some products having achieved contemporary advanced world standards. The material consumption, comprehensive energy consumption per 10,000 yuan in output value, and turnover period for circulating funds, must reach or surpass the level stipulated by the state in the Eighth Five-Year Plan. The rate of profits and tax on funds, per capita profits tax and all-personnel labor productivity in kind must surpass the best levels for the respective trades during the Seventh Five-Year Plan. Safety in production must reach or surpass the all-time records for the respective trades.

4) The basic criteria for the improvement and perfection of the modern enterprise management system are:

- It must have a correct operational concept, meet the needs of changes in the internal and external environments of enterprises, and be able to promote the strategies for enterprise development.
- In accordance with stipulations in the Enterprise Law, it must have a leadership system that combines centralism with democracy and must meet the needs of modernized production.
- It must have a contingent of management cadres who have both ability and political integrity and have mastered modern management knowledge and skills.

- and a contingent of staff and workers with lofty ideals, moral integrity, education, and a sense of discipline.
- It must have an organizational setup and management system that correspond to its own characteristics and can ensure the effective running of production and operation.
- It must be able to make extensive and effective use of modern management methods and means in the principal links of production and operation and have already established a relatively perfect electronic computer management information system.
- It must have done well in achieving cultural and ideological progress and fostering the socialist enterprise spirit and have already established an impeccable reputation with its provision of quality products and services to society.

All localities and departments (trades) must, in accordance with the abovementioned guiding principles, strategic objectives, and requirements, in the light of their actual conditions and taking the large and medium-sized industrial enterprises as the principal targets, formulate their respective plans and organize the implementation of these plans, seeing to it that enterprises can achieve management modernization by groups and by stages during the Eighth Five-Year Plan.

II. Strategic Management

4. Strategic management is an important aspect of modern enterprise management. In order to ensure that enterprises remain invincible in international and domestic market competition, there is a pressing need for enterprises, especially large and medium-sized enterprises, to formulate strategies and strengthen strategic management. Correct operational concepts are the precursor of optimum strategies. Thus, it is necessary first of all to modernize their management concepts, further establish the concept of putting quality first, the market concept, the competition concept, the money concept, the concept of time and information, the management concept which center around man, as well as the legal concept.
5. Enterprise strategies cover material progress and the corresponding cultural and ideological progress. They can be divided into the overall and support strategies. Operational strategies are the core of the enterprise's overall strategy. Efforts must be made to properly devise strategies for improving the markets, developing new products, sorting out financial matters (funds), earning foreign exchange through exports, and developing human resources. Strategies at all levels must have clear-cut objectives and implementation steps.
6. Regarding the choice of strategic plans, it is necessary to fully take all subjective and objective conditions into account and pay attention to making use of the favorable factors and steering clear of the unfavorable factors under the guidance of state policies. Should major changes occur in the internal or external environment of

enterprise, prompt readjustments must be made to meet the needs of the changing situation.

7. It is necessary to attach importance to implementing strategies and, in accordance with strategic objectives and their relevant contents, carry out scientific analysis, fix responsibility, formulate implementation measures, and conduct regular check-ups. These should be brought within the scope of assessment, reward, and punishment of the economic responsibility system within enterprises to ensure their realization.

8. The leadership hierarchy in enterprises, particularly the principal leaders of enterprises, must put strategic management in an important place on their agenda and see this as their major duty. They must have great strategic vision, a keen awareness of the need to protect the environment, as well as an innovative and enterprising spirit. They must have great flexibility and adaptability, be able to constantly grasp and analyze factors and trends of changes unsuited to the development of their enterprises, and formulate the appropriate countermeasures. The competent authorities at the higher levels should take the effects of the implementation of strategies as an important criterion in their assessment of the performance of enterprise leadership.

III. Promoting Perfection of Management Mechanisms

9. It is necessary to resolutely implement the Enterprise Law, bring about the appropriate separation of government and enterprise functions and of ownership and management power, and effectively protect the management autonomy of enterprises, so that enterprises can truly become socialist producers and operators with management autonomy and responsibility for their own profits and losses. It is also necessary to gradually establish and perfect enterprise management mechanisms with great vitality, including mechanisms of self-development and self-control.

It is necessary to persist in perfecting the contract management responsibility system; further strengthen the factory director responsibility system and the economic responsibility system within enterprises; perfect the method of tying wages to performance; intensify reform of the personnel, labor, and distribution systems; actively conduct experiments in the system requiring payment of tax plus a percentage of profits to the state and payment of tax before loan repayment or any retention of profit, as well as experiments in the shareholding system, and promote the perfection of enterprise management mechanisms in various ways.

10. In implementing the factory director (manager) responsibility system, it is necessary to put decision-making on a scientific and democratic basis. Policy decisions must be made in accordance with the principles and policies of the party and state, through application of modern decisionmaking science and skills, and on the basis of fully grasping and analyzing the internal and external conditions of enterprises and predicting market changes. Efforts must be made to establish an

organizational system and working procedure for decisionmaking, set up necessary consultative bodies for decisionmaking, and fully bring into play the role of the factory management committee headed by the factory director. Important policy decisions must be discussed by party organizations to fully bring into play the role of party organizations as supervisors and guarantors. The right of workers' congresses to exercise their functions and powers must be effectively guaranteed.

11. Optimize the organizational setup of enterprises. It is necessary, on the basis of the needs of enterprise management strategies and the production and operational characteristics of enterprises, and in accordance with the principle of establishing streamlined, unified, and efficient organs, to establish an effective organizational assurance system with smooth vertical transfer of decrees and orders and properly coordinated horizontal ties. The organizational setup and functions of enterprises must be made more streamlined, flexible, and effective through the intensification of reform, technological advances, and the modernization of management. Efforts must be made to strengthen the functions of organs responsible for the opening of markets, product development, technological advances, financing, sales and services, external trade, auditing, and supervision.

12. Improve the economic responsibility system within enterprises. It is necessary, under the premise of correctly handling the relations between the state, the enterprises and individual staff members and workers, and in accordance with the systems concept and the principle of making responsibility, power, and interests correspond, to further perfect economic responsibility within enterprises. The stress should be placed on the establishment and improvement of the system of indexes (norms), system for assessment, and system for rewards and punishments. The economic responsibility system within enterprises should be continuously deepened and perfected as the reform is intensified and as technological advances and management modernization progress.

13. Strengthen personnel management. It is necessary to scientifically create jobs, draw up corresponding criteria and requirements for individual posts (duties), and appoint cadres on this basis, seeing to it that jobs are suited to needs and that the right candidates are selected. Efforts must be made to promote scientific methods of evaluating personnel, strengthen the executive employment system, improve the methods of rewards and punishment, and integrate periodic assessment with day-to-day assessment. It is also necessary to establish competition mechanisms which can encourage talent development and the rational use of manpower. Life tenure for cadres must be abolished.

14. Strengthen labor management. It is necessary to improve the labor contract system, practice two-way job selection in accordance with employment standards drawn up by the competent state departments and the concrete requirements of the enterprises concerned, and appoint people according to their merit. Proper training

must be provided before employees take up their posts with the necessary credentials. On the basis of summing up experience, further efforts must be made to optimize the organization of labor, bring into play the competition mechanisms, and gradually attain the goal of "securing jobs through competition and securing income through contribution." It is also necessary to pay attention to the overall coordination and optimum deployment of working staff on production lines (work shifts and teams), and promote the use of scientific methods like time and motion study.

15. Strengthen the management of wage and bonus allocation. It is necessary to uphold the principle of integrating total wage with the economic performance of enterprises and integrating remuneration for labor with the labor contributions of individual employees. The form of wage is to be determined in accordance with the actual conditions of the enterprises concerned. Regardless of the form of wage adopted, it is necessary to strengthen management of economic norms, strictly enforce assessment criteria and, through the application of appropriate modern management methods, make the allocation of wages and bonuses more rational and scientific in order to fully arouse the enthusiasm of employees.

IV. Total Optimization of Enterprise Management

16. The total optimization of enterprise management means the optimum organization and rational allocation of production and operating factors in accordance with the laws of the socialist planned commodity economy and the requirements of socialized mass production, with a view to realizing the strategic objectives of enterprises, where modern management personnel, ideas, organizations, methods and means are comprehensively applied in various functional systems of management. Under the principle of the part being subordinated to the whole, and through vertical and horizontal coordination, it is necessary to proceed from the optimization of partial functions to the optimization of all functions, bring about the optimum integration of the flow of manpower, material resources, and information, and achieve maximum output from minimum input and optimum conversion.

17. The practice and extent of the total optimization of enterprise management should be based on the actual conditions of the enterprises concerned. The general rule is: Fix the strategic objectives in order to work out the operational strategies of the enterprises; carry out systems analysis in order to identify the contradictions and difficulties in the strategic objectives; carry out systems design in order to determine the optimization projects and measures, establishing models of total optimization and organizing actual implementation; follow up by carrying out monitoring, analysis, readjustment, and coordination, strictly carry out assessment and periodic appraisal; and strictly enforce the regulations regarding rewards and punishments.

18. The total optimization of enterprise management is to be achieved through grasping the responsibility assurance systems combining specialized management with comprehensive management. During the Eighth Five-Year Plan, it is necessary to make a success of the following responsibility assurance systems:

Assurance system for quality. It is necessary to further promote total quality control, strengthen the functions of quality management in various stages and links of production and operational processes, and make special efforts to strengthen quality control between processes as well as on-site quality monitoring and inspection.

Assurance system for the development of new products. It is necessary to choose the direction of product development, produce more marketable varieties, promptly readjust the product mix on the basis of market surveys and forecasts and, in accordance with the law governing the life cycle of products, strive to ensure technical and product reserves by producing one generation of products, having one generation ready in reserve, trial-producing another generation, and conducting scientific research for a new generation.

Assurance system for saving energy and reducing consumption. It is necessary to make extensive use of new techniques, technologies, and materials in order to raise the effective utilization rate of raw and semifinished materials and energy and to exercise strict and effective management and control of economic norms.

Assurance system for safety in production. It is necessary to firmly embrace the ideas of safety first and taking prevention as the key link. Efforts must be made to strictly enforce operating instructions and labor discipline and ensure that equipment is in a good working order. It is also necessary to further improve safety and environmental protection facilities, grasp the laws of the occurrence of unsafe factors, establish a system for the prevention, prediction, and pre-control of accidents; control environmental pollution; improve the working environment; map out preventive measures; and see to it that these measures are implemented at every post and by every individual.

Assurance system for capital and cost control. It is necessary to promote complete economic accounting, improve the economic accounting system, establish in-house banks, do a good job of the planned management of funds and target cost control, foster the concept of the time value of funds, scientifically and rationally control and reduce expenses, and improve the utilization rate and effect of funds.

Assurance system for equipment management. It is necessary to practice comprehensive management of equipment and exercise control and management over all processes, from the selection, use, and maintenance of equipment right through to their scrapping. Efforts must be made to promote the application of condition monitoring and fault diagnosis technologies, make use of new technologies to upgrade existing equipment, put the

equipment management system on a solid footing, and raise the rate of equipment in good condition and the rate of equipment utilization.

Assurance system for operation and marketing. It is necessary to do a good job of market surveys, market forecasts, and market development, pay attention to operational and marketing strategies, and increase the domestic and international market share. Efforts must also be made to set up user files and optimize pre-sales and after-sales services.

It is also necessary to gradually establish and improve responsibility assurance systems in respect of manpower, labor, education, and ideological and political work, and fully bring into play their role in supporting and ensuring production and operation.

V. Management Fundamentals and On-Site Management

19. The fundamentals of management refer to the basic conditions of enterprise management. In order to bring about modern enterprise management, it is necessary to modernize the fundamentals of management.

The main tasks in strengthening the fundamentals of management are as follows:

1) Establish and improve an integrated standardization system covering technical standards, management standards, and work standards. Positive efforts must be made to adopt international standards or advanced foreign standards. It is also necessary to strictly enforce various standards and raise the level of standardization.

2) Adopt scientific methods and advanced means to revise and perfect various norms, constantly enlarge the scope of application of these norms, strictly carry out management of economic norms, and raise the standard of these norms.

3) Further raise the standard of quantification in accordance with the requirements of the state, acquire advanced measuring instruments, improve the monitoring means, strictly carry out management through quantification, and gradually achieve the modernization of monitoring means and measurement techniques.

4) Establish a rapid, accurate, and effective integrated information system, gradually improve the information network, perfect various information systems, strengthen file management, and achieve standardization and modernization in the collection, processing, storage, and application of information.

5) Further perfect rules and regulations with the responsibility system as the core and strictly enforce and safeguard the solemn nature and authority of rules and regulations.

6) Strengthen basic education. While strengthening on-the-job training, it is also necessary to pay close attention to conducting education on work ethics, legal system,

factory style and discipline, basic knowledge and skills of modern management, and to extensively conduct basic vocational training among staff and workers.

7) Strengthen management over work groups or teams. In the organizational, ideological, and institutional development of work groups or teams, it is necessary to effectively make improvements and achieve higher standards in accordance with the requirements of modernized mass production. The key lies in having good group or team leaders, optimizing the manpower quality and structure of the work groups or teams, and carry out democratic management in the work groups or teams.

To meet the requirements for modernizing the fundamentals of management, it is necessary to make use of modern science and technology to enrich and perfect these fundamentals in an effort to improve the conditions and raise the standards. Efforts must also be made to augment the contents of the fundamentals of management and extend their scope of application.

20. Strengthening on-site management is an important guarantee for achieving high quality, low consumption, high efficiency, balance, safety, and civilized production. Strengthening on-site management means making use of scientific concepts, systems, standards, and methods to bring about the optimum organization of on-site factors (manpower, machinery, raw and unfinished materials, methods, environment, information, and so on). The principal contents and requirements are:

1) Streamlined staffing. Efforts must be made to establish a rational organization of labor, scientifically determine the work processes, optimize personnel allocation, strictly adhere to the fixed job responsibilities, and strengthen the stimulation mechanisms.

2) Orderly physical distribution. Management according to fixed allocation must be practiced to make the best of time and space. Efforts must be made to quantify the materials in kind in circulation on the work-site. Materials must be placed in an orderly manner and clearly marked to facilitate use.

3) Good equipment. It is necessary to observe the rules and regulations regarding the operation, maintenance, and repair of equipment. Equipment and spare parts must be kept complete, in good working order, and clean. Efforts must be made to ensure that all equipment is in good technical form and operating normally. It is also necessary to make comprehensive use of relevant modern management methods so that equipment yields optimum results in management, utilization, and repair.

4) Sensitive information. All original records, accounts, and reports must be neatly and accurately kept. Information must be passed on promptly.

5) Strict discipline. It is necessary to strictly abide by factory regulations and discipline. Technical processes, operating rules and safety regulations must be complete, all-round and rational, and must be strictly enforced.

6) Clean environment. Factory premises and workshop floors must be kept level and clean. Access routes must be kept unobstructed, windows and walls must be kept clean, and materials and sundries must be neatly stacked.

Factory and workshop leaders must conscientiously grasp on-site management. Functional sections (departments) must strengthen their service to on-site management, ensure the fulfillment of the abovementioned requirements, and standardize these requirements.

VI. Management of Technological Advances

21. In order to increase the economic benefits of technological advances, it is necessary to strengthen the management of technological development, upgrading, importation, and dissemination in a comprehensive way by modernizing all working processes, from project selection, financing and organization of implementation to inspection, acceptance, and actual production. When deciding on projects of technological advances, it is necessary, in accordance with the principle of combining the advanced nature of technology with the rationality of economic matters, as well as the state's strategies for industrial development and orientation for technological advances, to conscientiously conduct technical and economic feasibility analyses and study, compare different options, and make decisions on the merit of each case. It is also necessary to clearly identify the responsibilities in various links of the implementation of the projects and practice dynamic project management. Modern management methods and means, such as network technique, should be made use of to speed up the pace of the projects and achieve better engineering quality. Efforts must also be made to follow up on the performance of projects and do a good job of follow-up evaluation.

22. It is necessary to pay attention to absorbing high and new technologies, attach importance to the development of products with high added value, and do a good job of management in terms of the conversion of scientific and technological achievements, the formation and transfer of patents, and so on.

23. It is necessary to attach great importance to the assimilation of imported technologies, strive to increase the application rate of Chinese-made parts, and increase the production of import substitutes wherever possible. When importing technologies, it is necessary to be selective, set priorities, and guard against blind imports.

24. There must be coordinated development of technological advances and modern management. When drawing up technical designs, it is necessary to draw up corresponding management designs. When adopting new technologies and equipment, it is necessary to make corresponding use of new management methods and means. When training technical personnel, it is necessary to provide training for management personnel. When importing technologies and equipment, efforts must be made to import the necessary management techniques and conscientiously digest and assimilate what has been

imported. The problem of raising funds for the modernization of management and for technological advances must be tackled in a unified way.

25. It is necessary to ensure funds for the development of products. Funds used by enterprises for product development must be proportional to gross sales. Efforts must be made to strengthen the management and utilization of depreciation funds.

VII. Computer Management Information System

26. As the computer management information system is playing an increasingly important and urgent role in modern operations and management, it is necessary to attach great importance to work in this regard. The establishment of a computer management information system should not be simply modeled on the traditional approach of manual management. Rather, it is necessary to establish the concept of reform and total optimization and take the road of systems development. Factory directors (managers) must personally exercise leadership, strengthen overall planning and coordination, and stress the need to achieve better results through computer application. It is necessary to pay attention to actual results and see to it that every project developed is put into application and yields result.

27. In the development and application of a computer management information system, it is necessary to pay special attention to the following:

- 1) Consider the utilization of enterprise resources in a comprehensive way and work out feasible aims for the system.
- 2) Carry out systems development under the guidance of overall planning and avoid repetitive development of a low level, with each doing things in its own way.
- 3) Uphold the guiding ideology of total optimization and replace traditional means and methods of manual management by modern ones.
- 4) The development, inspection, and acceptance of the computer management system must involve the participation of professional managerial personnel and efforts must be made to prevent managerial personnel and computer technical personnel from losing touch with one another.
- 5) Strengthen the organization and management of systems development projects to ensure the smooth implementation of the system.
- 6) Create a good operational environment for the computer management information system to ensure its normal operation.
- 7) Strengthen safety management in computer application.

28. Enterprises should proceed from the actual needs of production and operation and create the necessary conditions to gradually establish and improve the computer management information system.

During the Eighth Five-Year Plan, the major trades must selectively groom large key enterprises and enterprise groups with the necessary conditions, gradually establish an open and fairly perfect modern management information system which mainly relies on computers and is supported by communications equipment and the equivalent technical means, and actively take part in national and international information networks, to be ready to participate in international market competition.

During the Eighth Five-Year Plan period, large and medium-sized state enterprises must gradually establish a relatively perfect and effective computer management information system. The latecomers must work out overall design plans for their own computer management information system and make use of computer-assisted management in major management functional systems.

29. In the course of establishing a computer management information system, it is necessary to pay attention to making full use of existing electronic computer equipment and mature commercialized software. Efforts must be made to strengthen the fundamentals of enterprise management, standardize them, and ensure the accuracy, reliability, and timeliness of various input data into the information network. It is also necessary to foster information management and information analysis specialists who are adept at management, know the ropes, and have comprehensive analytical ability.

VIII. Dissemination and Improvement of Modern Management Methods

30. Modern management methods refer to the concrete application in management of the fruits of modern science and technology. The application of modern management methods is an important aspect of the modernization of enterprise management. Only by gradually replacing old and backward management methods with modern management methods will it be possible to fundamentally put to an end the backward state of enterprise management in China. In disseminating modern management methods, it is necessary to choose, on a selective basis, modern management methods that are widely applicable and have been proven effective in practice, bearing closely in mind the need to improve quality, develop new varieties, reduce consumption, use funds economically, and increase efficiency and performance. With regard to modern management methods that have been widely disseminated and have yielded notable results during the Seventh Five-Year Plan, such as management by objectives, total quality control, value engineering, network technique, volume-cost-profit analysis, in-house banks, and the ABC (expansion unknown) management method, which have attained maturity in application, it is necessary to incorporate

them into the norm of management and further consolidate and improve them in light of the actual conditions in the enterprises concerned.

On the basis of summing up experience and in accordance with actual needs and overall design, it is necessary to take in all relevant modern management methods and make appropriate use of them in order to strengthen the overall functions of enterprise management.

31. It is necessary to give full scope to the creative spirit and pay attention to making improvements and innovations in the practice of summing up our own experience and learning to apply existing modern management methods at home and abroad. In making improvements and innovations, it is necessary to aim at optimizing the functions of the enterprise management system as a whole, strengthening the effective control of specialized management systems, optimizing on-site management, and effectively resolving the problem of the standardization and programming of labor and work. Efforts must also be made to explore management methods which can fully arouse the enthusiasm of staff and workers for productive labor, bring about management "which centers around the man," improve and strengthen ideological and political work, and promote cultural and ideological progress in enterprises.

In the improvement and innovation of management methods, it is necessary to go through rigorous scientific practice, have clear-cut scientific contents and application objectives, truly reveal and reflect the objective laws in given realms of management, and solve existing problems. Efforts must be made to guard against superficiality and formalism. It is necessary to actively promote the application and make further improvements to new management methods which have come into being in recent years, including such outstanding achievements as "the optimization of the functions of enterprise management as a whole" and "standardized on-site management" which have won the State Award for Innovations in the Modernization of Enterprise Management.

32. It is necessary to promptly collect new modern management methods that have cropped up abroad, conscientiously study, digest, and sieve through these methods, conduct experiments at selective spots, gain results and experience, and then organize the dissemination. Modern management methods borrowed and absorbed from foreign countries must be organically combined with modern management methods created at home.

IX. Group Operations

33. Enterprise groups are new enterprise organizations developed under the guidance of the reform and open policy and the state's industrial policy, and in accordance with the principles of economic rationality and coordination based on specialization, with several enterprises complementing the strong points of one another

on the basis of horizontal economic ties. Group operation is conducive to optimizing the organizational structure of enterprises, promoting the rational distribution of assets, and achieving economy of scale. It is necessary to pay attention to the operation and management of enterprise groups, promptly sum up experience, and promote their healthy development. It is also necessary to improve the quality and management level of enterprise groups in accordance with the requirement of "making improvements and raising standards to ensure their growth to maturity." This mainly involves the following three aspects. First, strengthen the core of the groups, including expanding the economic strength of the core enterprises, strengthening the investment function of the core enterprises, and increasing the radiating capability of "leading products." Second, develop tightly-knit layers and expand the economic strength of group companies by developing subcompanies through such means as mergers, transfers, contracts, leasing relevant enterprises, and equity holding. Third, strengthen existing ties, gradually replace ties forged by administrative power with ties forged by the merging of assets and funds, increase the rallying function so that the enterprise groups can truly become integrated bodies that are mutually dependent in production and operation and are closely related in economic interests.

34. Enterprise groups must practice the general manager responsibility system under the leadership of the board of directors and exercise effective management over manpower, financial matters, material resources, production, supply, and marketing under the principles of doing what is best for production and operation and combining centralization with decentralization. Under the premise of fully bringing into play the overall advantages of the groups and fully arousing the enthusiasm of the member enterprises, it is necessary to achieve unity in operational strategies, development planning, the development of leading products, and external dealings. Efforts must be made to establish and strengthen investment centers, profit centers, and cost centers, and give full scope to their respective functions.

35. The groups must correctly handle the distribution of benefits between the state, the relevant quarters (such as the local authorities and departmental authorities) and member enterprises. The idea is to share both benefits and risks. Insofar as the economic relations between group members are concerned, it is necessary to strictly adhere to the principle of equality, mutual benefit, and compensated use, refraining from uncompensated transfers so as not to infringe upon the interests of the state.

36. It is necessary to do a good job of the strategic management of enterprise groups. Efforts must be made to correctly formulate development and operational strategies for the groups, bring group advantages into play, carry out diversified operations, actively participate in international exchange and competition, and gradually expand export-oriented enterprise groups with a strong competitive edge.

X. Management of Export-Oriented Enterprises

37. Export-oriented enterprises are the foundation for the development of an export-oriented economy. As they play a direct part in international market competition, it is necessary to modernize their management in order to be invincible. Export-oriented enterprises must take international market needs as the primary targets in the arrangement of production and operational activities and must accord top priority to reaping economic benefits from international markets. They must make full use of international resources and other positive factors in the international economy and absorb advanced technologies and management techniques from abroad, to form the optimum combination of production factors. They must also establish stable export channels and sensitive information network systems, promptly responding to changes in the international economic, trade, technological, and other areas, so that their export products will be able to maintain a definite proportion and a stable share of the international market.

38. Export-oriented enterprises must proceed from the actual conditions in our country, carrying out operation and management with reference to international practices as far as possible. Foreign-invested enterprises, and foreign-based enterprises in particular, should act in accordance with international practice and strive to increase their mutual adaptability. All export-oriented enterprises should attach importance to the following in their operation and management: They must formulate strategies for the development of an export-oriented economy which can meet changes in the international market, establish an effective and sensitive leadership decisionmaking system and production and operations command system which corresponds with the law governing the running of the international commodity economy, strengthen market information management and optimize operations and marketing strategies, adopt personnel, labor, and distribution systems which embody the competitive mechanism to arouse the enthusiasm of the staff and workers, and strive to strengthen the association of industrial, commercial, and trade enterprises and the association of different trades at home in an effort to launch international group operations.

39. It is necessary to attach great importance to improving the manpower quality of export-oriented enterprises. Besides cultivating technical personnel for the design and development of new products who are suited to the needs of international market competition, it is also necessary to adopt various means to foster and nurture operational and management backbone forces who are well-versed in the knowledge of international finance and trade, are capable of handling international operations, and are familiar with the application of international practices.

40. Export-oriented enterprises, particularly enterprise groups, should create the necessary conditions for overseas investment and the setting up of multinational

companies. It is necessary to pay attention to the selection of key areas for transnational investment and adopt such means as forming mergers with multinational companies and establishing joint ventures, cooperative enterprises, or sole proprietorships in host countries (regions). Multinational companies must actively promote exports, import advanced technologies, and strive to increase foreign currency earnings.

41. The competent departments and regions concerned, particularly the coastal regions including the special economic zones and economic development zones, should strive to create the necessary conditions for making a success of export-oriented enterprises and do a good job of servicing and coordination. It is necessary to respect and support the autonomy of enterprises in their external dealings, strengthen planning and management over overseas investment, and pay attention to summing up and exchanging the operational and management experience of export-oriented enterprises which conform with international practices and are suited to China's national conditions.

XI. Development of Human Resources

42. Human resources are the foundation of enterprise development. All enterprises, particularly large and medium ones, must step up the training of staff and workers who have lofty ideals, moral integrity, education, and a sense of discipline, and see to it that they have a rational knowledge structure and are highly efficient in management techniques. It is necessary to gradually establish and strengthen enterprise manpower development systems covering such aspects as training, employment, promotion, reward and punishment, while paying attention to the development of existing, as well as potential, talent. Manpower development must be incorporated into the strategies of enterprises and must be placed under strategic management.

43. The channels and means of training must be flexible and diversified. Besides overall planning and organized arrangements by relevant government departments, large and medium enterprises must have their own training bases, combining long-term training with short-term training, off-the-job training with in-service training, and systematic teaching with research on special topics.

44. It is necessary to strengthen training for enterprise personnel of various types and at various levels. Through training, it is necessary to help the factory director (manager), party secretary, as well as the chief engineer, chief economist, and chief accountant, acquire a high level of specialized knowledge of modern management and an understanding of policies, laws, decrees, and regulations relevant to their respective posts. Middle management and technical cadres should be helped to constantly update their knowledge and increase their specialized knowledge and techniques of modern management, and production workers should be helped to

acquire the modern specialized knowledge and operational skills needed for their types of work or for their respective posts.

45. During the Eighth Five-Year Plan, the state must provide the principal leading cadres of large and medium-sized enterprises with regular training on mandatory tasks and gradually establish a system where leading cadres in enterprises are required to undergo training before taking up office with the necessary credentials. The system of conducting modern management "know-how" training and tests for managerial personnel at various levels should continue to be upheld and should be gradually established if it has not yet been established. The contents of "know-how" should be regularly updated and improved.

46. The state must select candidates from among the advanced and model people in enterprises for further studies in institutions of higher learning, and subsequent on-job training at advanced enterprises, upon their passing the relevant graduate school entrance examinations. This way, they will be gradually brought up to be principal leading cadres in large and medium-sized enterprises.

47. Further strengthen intellectual imports and assimilation. Through such channels as technological imports, joint ventures, exchanges, and seminars, it is necessary to organize or select outstanding managerial personnel for further studies or training abroad. In accordance with the unified arrangement of relevant government departments, it is also necessary to invite truly knowledgeable foreign management experts and entrepreneurs to give lectures or advice to enterprises.

XII. Cultural and Ideological Progress in Enterprises

48. Cultural and ideological progress in enterprises is an integral part of the socialist modernization of enterprises. It is also the fundamental guarantee for the promotion of material progress in enterprises. It is necessary to incorporate cultural and ideological progress into the overall strategy of enterprises and see to it that cultural and ideological progress and material progress can develop with each other and can promote each other in a coordinated way. Based on the objectives and requirements set forth in the overall strategy of enterprises for cultural and ideological progress, it is necessary to spell out clearly the specific tasks for different periods and stages.

49. Establish management which centers around the man. It is necessary to bring into play the advantages of the socialist system, give true expression to the guiding ideology of respecting, understanding, and showing concern for people, as well as the principle that people are the subject as well as object of management, and concentrate on grasping the following two tasks. First, establish and strengthen the democratic management system for staff and workers, ensure the democratic rights of staff and workers, and give full scope to the active role of staff and workers (representatives of staff and workers) in the

decisionmaking, management, and operational strata. Second, establish and strengthen a responsibility assurance system for ideological and political work, with party organizations as the core, in order to promote cultural and ideological progress in enterprises.

50. Enterprise spirit is the core of cultural and ideological progress in enterprises and is the spiritual pillar of the staff and workers in enterprises. Enterprise spirit covers many aspects, such as business aims, sense of value for enterprises, and moral codes. Enterprise spirit must embody the sense of continuity of the nation's fine traditions and the creative spirit of the times. It must embody the spirit of "carrying out the four modernizations to rejuvenate the Chinese nation" and implement the principles of plain living and hard struggle and running enterprises diligently. The cultivation of the enterprise spirit must go through a conscious and protracted process of arduous struggle and must proceed from the actual conditions of individual enterprises. The advanced factors held in store among the masses of staff and workers must be distilled, summed up, and raised to a higher level to become the consensus and spiritual strength of staff and workers. Efforts must be made to bring their stimulating, rallying and guiding role into play.

51. The establishment of a new type of interpersonal relationship in socialist enterprises is an important hallmark and condition for the prosperity of enterprises. Through profound and meticulous ideological and moral education, and through the establishment of necessary and effective ways and means for regulating interpersonal norms (including rules, regulations, and discipline), it is necessary to readjust interpersonal relations in a planned and regular way. It is also necessary to attach importance to important links, such as the relations between the operators and the producers and the relations between cadres and the masses. Efforts must be made to create an atmosphere of unity, cooperation, mutual trust, and exertion in enterprises.

52. Shaping a good enterprise image and helping enterprises win the support and trust of the consumers, members of the public, and the staff and workers of enterprises is an important means for modern enterprises to excel through competition. Enterprise image is the comprehensive expression of product image, service image, staff image, factory image, and public relations image. It is necessary to grasp the basic links of establishing a good product and service reputation and cultivating good professional ethics, turn the shaping of enterprise image into the conscious action of all enterprise workers, and gradually expand the impact of good image through such means as advertisements and propaganda.

53. Promote the modernization of ideological and political work. On the basis of taking over and carrying forward the party's fine traditions in ideological and political work, it is necessary to fully assimilate the relevant principles and methods of modern science to

enrich its contents, improve relevant means and methods, and strengthen and fully bring into play the role of party organizations as the core of leadership in this work. The factory directors must take promotion of the modernization of ideological and political work as their primary task. It is necessary to persist in taking economic construction as the central task, and conduct ideological and political work side by side with economic work. Efforts must be made to conduct education in the course of cultural or recreational activities to enliven ideological and political work. It is also necessary to make use of various modern propaganda tools to increase the effects of ideological and political work.

XIII. Leadership and Measures

54. Strengthen leadership. Departments in charge of economic work, primarily leadership cadres, must raise their level of understanding, unify thinking, and put modernized management in an important place on their agenda. Efforts must be made to incorporate the work of promoting the modernization of enterprise management and making management yield good performances into the strategic plan for economic development, formulate effective measures and conscientiously organize their implementation, and regularly conduct inspection and summing up. It is necessary to strengthen the development of management bodies, attach importance to and make arrangements for the training of managerial personnel. Enterprise management associations, enterprise management modernization societies, and other relevant mass organizations at all levels must take promotion of enterprise management modernization as their important task, formulate plans and systems, and actively support and assist the government departments concerned in conducting work in this connection.

55. Conscientiously do a good job of propaganda and education. It is necessary to fully bring into play the role of propaganda tools, such as newspapers, radio, television, seminars, and exhibitions, and continuously increase the awareness and sense of urgency of staff and workers in promoting modernized management. Efforts must be made to disseminate the knowledge of modernized management. Localities, departments, and large and medium-sized enterprises must establish training and examination systems on the "know-how" of management modernization and speed up the dissemination and updating of the knowledge and skill of managers' modernization.

56. Establish and improve a system for assessing and rewarding achievements in modernized management. All localities and departments must implement the State Council's Regulations on Rewarding Rationalization Proposals and Technological Innovation and the detailed rules of implementation, regularly conduct the work of assessing, rewarding, and commending achievements in the modernization of enterprise management, and establish a system for the "project management" of achievements.

57. In contracting for management and in promoting the management responsibility system within enterprises, it is necessary to clearly put forward the requirements for management modernization, in light of the distinctive features of different trades and types of enterprises, and strictly conduct appraisals.

58. It is necessary to strengthen classified guidance in promoting the modernization of enterprise management. Proceeding from actual conditions, it is necessary to give specific guidance and help to enterprises at different levels and of different types. Attention must be paid to fostering typical cases. All trades and localities must have their own typical cases. There must also be typical cases for different types of management work and the exemplary role of typical cases must be fully brought into play in promoting the modernization of enterprise management.

59. The departments and localities concerned must give their support in helping to arrange the funds and material resources needed in promoting the modernization of management. Unified arrangements should be made for major projects and technical upgrading projects. Where possible, special funds should be established.

60. Strengthen theoretical research and consultancy services for the modernization of enterprise management. It is necessary to fully bring into play the role of relevant research units, institutions of higher learning, associations, societies, study groups, and other organizations in promoting research and consultation in modernized management. Efforts must be made to raise the level of theoretical research and increase the quality of consultancy services. It is also necessary to conduct investigation and studies on major issues in the modernization of enterprise management and put forward appropriate suggestions in order to promote the in-depth development of the modernization of enterprise management.

PROVINCIAL

Anhui Economic, Social Development Program

OH 2304093092 Hefei ANHUI RIBAO in Chinese
12 Apr 92 p 2,3

["'Excerpts' of Anhui's 10-Year National Economic and Social Development Program and Outline of the Eighth Five-Year Plan"—ANHUI RIBAO headline]

[Text] I. Objectives and Principal Tasks of the 1991-2000 Period

Anhui will continue to follow the basic line characterized by "one center and two basic points" in promoting its national economic and social development during the last decade of this century. We must emancipate our minds even further, be more daring in carrying out reform, and proceed with material construction and spiritual construction at the same time. In accordance with the requirement of developing a provincial

economy with Anhui's characteristics, we should heed market needs and give scope to our strengths. While developing and utilizing our surface and underground resources, and increasing their value by transforming them, we should reorganize, rebuild, improve, and develop our processing industries, and accelerate the process of industrialization and modernization so that our economic development will proceed even quicker with even higher efficiency and greater stability and coordination, and will reach a new stage once every few years.

The major objectives for Anhui's national economic and social development during the 1991-2000 period are: On the premise of achieving higher economic returns and improving the overall economic performance, efforts should be made to ensure a 7 or 8 percent growth in our GNP. In 2000, Anhui's GNP will be 4-4.5 times higher than that of 1980, the people will be able to enjoy a comparatively comfortable life, and a solid foundation should have been laid for a sustained economic and social development in the early part of the next century.

There are five specific requirements:

—To further build up Anhui's economic strength on the basis of achieving higher returns and improving the economic structure.

Calculated according to 1990 prices (same below), the GNP will grow at an average rate of 7 percent annually, reaching 119.3 billion yuan in the year 2000. The gross value of industrial and agricultural output will increase 7 percent annually to reach 208.4 billion yuan, including an annual growth of 3.5 percent in gross agricultural output and an annual growth of 8.5 percent in gross industrial output. The output of major industrial and agricultural goods will increase substantially, and total exports will exceed \$2 billion.

The industrial structure will become more rational. By the year 2000, the primary industry, which accounted for 40.5 percent of the GNP in 1990, will decline to 27 percent, secondary industry will increase from 40.5 percent to 43 percent, and tertiary industry will increase from 19 percent to 30 percent.

Priority construction projects will be intensified. During the 10-year period, Anhui will build, or be prepared to build, approximately 200 large and medium-size capital construction projects, including technological reconstruction projects. By the end of the decade, Anhui will have substantially stronger agriculture, basic industries, and infrastructure, and its overall strength will have increased conspicuously.

—After having had their basic food and clothing problems resolved, the people will enjoy a comparatively comfortable life.

Calculated accordance to the 1990 prices, the per capita output will reach 1,836 yuan, but efforts should be made to exceed 2,000 yuan. While the life of residents in

economically developed areas will be slightly better than being comparatively comfortable, the life of people in most parts of Anhui will be basically comfortable, and people in impoverished areas will begin to enjoy a comparatively comfortable life after having steadily shaken off poverty.

—Educational and scientific services will increase further.

Primary education will have been popularized throughout Anhui by the end of this century, compulsory junior high school education will be basically popularized in cities and towns, which account for 70 percent of Anhui's population, and in those rural areas which are economically developed, illiteracy among adults will be basically wiped out, and the development of ordinary higher education, vocational, and technical education, and adult education will have made new headway. Many scientific and technological achievements will have been broadly popularized, scientific and technological research in certain areas will have approached or reached advanced levels in the country and some will have approached or reached advanced world levels, and some industries with distinctive Anhui characteristics and with high- and new technologies will have been established.

—Gradual steps will be taken to establish an economic system and operating mechanisms which are compatible with the development of a planned commodity economy and which integrates planned economy and market regulation.

—Socialist spiritual construction will have reached a new level, and socialist democracy and legal system will have been perfected even more. Because of these objectives, Anhui's major tasks in its economic and social development during the remaining decade of this century are to:

1. Energetically restructure its economic system.

—The province will exert great efforts to develop agricultural production and revitalize the rural economy. It will strive to increase the commodity rates of major agricultural goods and achieve higher economic returns from the entire agricultural operation. While ensuring a steady increase in grain production, it will make positive efforts to restructure rural areas' production patterns. It will actively rearrange the production of economic crops so as to increase unit output and product quality. Efforts will be made to speed up the development of animal husbandry, aquatic production, and other breeding undertakings. Efforts will be made to accomplish the fifth eight-year afforestation program. We will strive to increase the yield of all types of quality agricultural goods. By the year 2000, Anhui's total grain yield will have reached 31.5 million tonnes, and its total cotton yield will have reached 330,000 tonnes. Efforts will also be made to speed up the development of rural enterprises.

—The province will intensify its infrastructural construction projects relevant to water conservancy,

energy, communications, and telecommunications, as well as production of major raw and semi-finished materials. Anhui will spend 10 years to consolidate certain key sections of the Huai He, and the province will also ensure the Chang Jiang's flood control capabilities and harness the Chou Hu and such major rivers as the Chu Hu and the Shuiyang Jiang. Anhui will also intensify the construction of irrigation facilities for farmland and upgrade the standards for facilities to control flooding, drain waterlogged areas, and irrigate cropland. Anhui will also intensify the development of such strategic resources as coal, iron, copper, sulfur, petroleum, and limestone; and promote conservation and comprehensive use of resources. By the year 2000, Anhui's coal output will have exceeded 50 million tonnes, electricity output will have reached 45 billion kwh, steel output will have reached 4.5 million tonnes, output of chemical fertilizer will have reached 1.5 million tonnes (100 percent effective composition), major breakthroughs will have been achieved in the development of crude oil, and transport volume will have reached 740 million tonnes.

—Anhui will reorganize, restructure, upgrade, and develop its processing industry. We will place the development of the electronics industry at a prominent position and actively restructure our traditional industry and promote the growth of new industries by means of electronics technology. In the machinery industry, we will speed up the pace of integrating production of machinery, electronics goods, and gauges and meters and will build 10 major export bases. Our manufacturers of military goods will speed up their restructuring and expand their production capacity for both military and civilian goods. Light and textile industries should intensify the construction of raw material bases, strive to increase output of light industrial goods and textile products which do not use agricultural products as raw materials, and gradually develop a large number of competitive goods with provincial characteristics. By the year 2000, Anhui's cotton yarn output will have reached 330,000 tonnes and output of chemical fibers will have reached 100,000 tonnes.

—We will make active efforts to develop the construction and tertiary industries. To meet the needs of economic construction and improve urban residents' housing conditions, we will actively develop the construction industry and industry to produce construction materials so that they will become Anhui's pillar industries. To satisfy the needs in the development of commodity economy and to improve the people's living standards, we will make great efforts to develop our tertiary industry, making sure that its development will be quicker than the development of the primary and secondary industries.

2. We will promote rational division of responsibilities and coordinated development among regional economies. According to the principle of complementing each other with our respective resources and planning rationally to improve the province's overall capabilities and strengths,

we will draw up overall plan and provide guidance according to the natures of different projects so that regional economies with individual characteristics will be set up.

- We will determine the priorities and the course of development of regional industries on the basis of various regions' resources, leading industries, and level of technological development.
- We will make efforts to speed up the development of key areas, and we will combine proper preferential treatment and coordinated regional development.
- We will place county-level economies at strategic position and take gradual steps to elevate the overall strength of county economies to a new level.
- We will make positive efforts to develop regional economic centers, expedite the urbanization process, and promote economic association and partnership between regions so as to promote common development and prosperity between cities and rural areas.
- We will give impoverished areas the great support they need for their economic development so that these areas can steadily shake off their poverty and become comparatively well off.

3. Actively develop science, technology, and educational undertakings. "Science and technology are the primary productive force." In the next decade, we must truly realize Anhui's economic growth by relying on scientific and technological progress, and improving the quality of work force.

- We should implement the basic principle that "economic development must rely on science and technology, while development of science and technology must be geared to the needs of economic development," making economic development a main objective of work in science and technology, and speeding up the transformation of scientific and technological achievements into practical productive forces throughout the province.
- With a view to improving product quality, upgrading products, conserving energy, and lowering consumption, we should extensively popularize scientific and technological achievements which have already yielded effective and quick results, pay close attention to assimilating imported technology, promote technical transformation of enterprises, and conspicuously raise the level of production technology of society as a whole.
- We should coordinate efforts to carry out key research projects focused on major technical problems in provincial economic and social development, and strive to put important scientific and technological achievements into practical use.
- We should develop high and new technology and industry using such technology in a selective manner, and accelerate the proliferation and infiltration of high technology into traditional industry. We should do a good job in managing the Hefei Science and Technology Industrial Park. We should step up the

study of philosophy and other social sciences for promoting the flourishing and development of social sciences.

- In accordance with the principle that education must be geared to the needs of socialist modernization and combined with productive labor by training morally, intellectually, and physically developed builders and successors of socialism, we should establish the basic framework of a socialist educational system with a rational structure and effective overall control in accordance with the actual conditions of Anhui.
- We should develop education of all types and at all levels in a harmonious way, and raise the quality of education in all fields. We should readjust and optimize the structure of subjects and specialties, and raise the quality of ordinary higher education; increase the enrollment of secondary specialized technical schools and train more technicians to meet the demand of society, and continue to develop vocational and technical education and further strengthen basic education.
- We should respect knowledge and talented people, improve the working and living conditions of intellectuals, and bring into full play their vital role in socialist modernization construction.

4. Continue to advance economic structural reform. On the basis of upholding public ownership as the main form, we should gradually establish an ownership structure embracing diverse economic sectors in keeping with the present level of productive forces, and should persist in, and improve the responsibility system with the household contract linking output to payment as the main form, establish and complete the dual management system that combines household with collective operations, and actively develop the socialized service system so as to gradually boost the strength of the collective economy. Focusing on transformation of enterprise management mechanisms, we should further invigorate state-owned large and medium-sized enterprises, gradually enabling them to become truly responsible for their own management decisions, profits, and losses, to practice self-restraint, and to develop on their own initiative. We should further enliven circulation for facilitating the establishment of a unified market system, gradually straighten out the relations of distribution between the state, collectives, and individuals for setting up a rational pattern of distribution of interests; and introduce and complete a scientific and effective macro economic control system.

5. Open Anhui wider to the outside world. We should concentrate efforts on developing the economy of the Wan Jiang valley and promoting international tourism in southern Anhui, going all out to develop an export-oriented economy and gradually setting up an all-directional structure of opening to the outside world.

- We should increase exports and foreign exchange earning. We should vigorously readjust product mix, market pattern, and production organizational structure of export commodities; increase the ratio of

processed goods to total exports, set up a number of stable export production bases and several competitive export enterprise groups, and help qualified large and medium-sized enterprises promote their products in international markets.

- We should utilize foreign capital and import technology in a more effective manner. We should energetically improve the investment environment for attracting direct foreign investment, and should actively import advanced technology and step up efforts to absorb and innovate such technology.
- We should strengthen international economic and technical cooperation. Positive efforts should be made to develop export of labor service, contract engineering projects in foreign countries, import intellectual resources, and expand economic, cultural, technical, and personnel exchanges with foreign countries.
- We should actively promote the development and opening of the Wan Jiang valley. We should accelerate the development of an export-oriented economy focusing on Wuhu. We should do a good job in managing the Wuhu Minor Economic Zone and bring into play its role as pace-setter and model in opening to the outside world.
- We should actively develop international tourism. We should step up the construction of a tourist infrastructure mainly in Huang Shan and Jiuhua Shan, gradually improve tourist services according to the international norm, and increase the ratio of foreign tourists in tourism.

6. Develop Various Social Undertakings and Promote Harmonious Economic and Social Development.

- Upholding the guiding principle of "Letting a Hundred Flowers Blossom and a Hundred Schools of Thought Contend," we shall enhance research in the social sciences and let various cultural undertakings further flourish. We shall vigorously develop public health care and sports, and shall work actively to preserve historical relics and archives.
- We shall continue implementing the basic national policy of birth control to prevent excessive population growth. Our goal is to keep the average annual natural population growth rate below 13.9 per thousand for the next decade.
- We shall strengthen our efforts in managing natural resources and protecting the environment to prevent the natural ecological environment from further deteriorating and to improve the environmental quality in cities under provincial jurisdiction and key localities. We shall develop seismology to increase our capability in combating earthquakes and reducing the resulting damage.

By 2000 we hope to see the following major changes in Anhui's economic and social development: There will be distinct improvements in economic quality and efficiency, as well as increases in Anhui's share in the country's gross national product and in the national yields of major

industrial and agricultural products. The industrial structure will become rational, and a colony of superior industries and products will basically take shape. There will be a full-fledged regional economic structure featuring rational division of labor. A preliminary system will be in place whereby Anhui may open up to the outside world in order of priority, level by level, and in all directions. The people will not only be able to feed and clothe themselves but also enjoy a comfortable life. A new socialist economic system will be basically established. Public order will prevail in Anhui, and the general mood of society will be more healthy and keep improving. In short, there will be all-around development and progress politically, economically, and socially in the province. Anhui will join China's modernization with a new image and will enter into the 21st century full of vitality.

II. Basic Tasks and Overall Targets of the "Eighth Five-Year Plan"

(1) Basic Tasks under the "Eighth Five-Year Plan"

1. We shall heal the wounds left by the catastrophic floods of 1991, and shall restore and develop the national economy and various social undertakings in an all-around way. Under the premise of improving economic efficiency, we shall ensure that our economy grows at a faster pace.
2. We shall vigorously readjust the industrial, product, technological, and enterprise structures. We shall focus on cultivating a colony of superior industries and products, and shall rationalize the industrial structure.
3. Highlighting the advantages of each locality, we shall develop local productive forces accordingly.
4. We shall accelerate technical upgrading in enterprises, concentrate on key construction projects, and strengthen the material and technical foundation of the national economy.
5. We shall improve utilization ratios of resources, especially those of energy resources, raw materials in short supply, and strained transportation capacities.
6. We shall further foster the development of science, technology, and education so that they can better serve our efforts to readjust structures and improve economic quality and efficiency.
7. We shall actively increase exports, import technologies and expertise, make more efficient use of foreign capital, and further open up Anhui to the outside world in depth and width.
8. We shall be more active and bolder in our comprehensive economic reform while further improve the government's administrative system.
9. We shall promote the development of socialist ethics, strictly control population growth, make appropriate employment arrangements, and improve people's lives on the basis of production development.

(2) Overall Targets of the Eighth Five-Year Plan

1. Economic Target

- a. Gross national product will reach 87.1 billion yuan in 1995, an increase of 43.6 percent over 1990 and an average increase of 7.5 percent per year.
- b. National income will reach 73 billion yuan in 1995, an increase of 40.4 percent over 1990 and an average increase of 7 percent per year.
- c. Total industrial and agricultural output value will reach 150.3 billion yuan in 1995, an increase of 41.6 percent over 1990 and an average increase of 7.2 percent per year. Of the figure, the total agricultural output value is 44.1 billion yuan, an increase of 18.7 percent and an average increase of 3.5 percent per year; the total industrial output value is 106.2 billion yuan, an increase of 54 percent and an average annual increase of 9 percent.
- d. Exports will exceed \$1 billion in 1995, an increase of 52.9 percent over 1990 and an average annual increase of 8.9 percent.
- e. Finance and banking. Financial revenues will reach 7.5 billion yuan in 1995, an increase of 41.8 percent over 1990 and an average annual increase of 7.2 percent; the bank balance held on deposits will reach 47.5 billion yuan, an increase of 22.5 billion yuan over 1990 and an average annual increase of 13.7 percent. Bank credit balances will reach 70.5 billion yuan, an increase of 30.4 billion yuan and an average annual increase of 12 percent.

2. Balance among major sectors of the economy

- a. The ratio among primary, secondary, and tertiary industries. In 1995, the ratio of primary industries to GNP will drop from 40.5 percent in 1990 to 33 percent; the ratio of secondary industries to GNP will rise from 40.5 percent to 42 percent; and the ratio of tertiary industries to GNP will rise from 19 percent to 25 percent.
- b. The ratio among agriculture, light industry, and heavy industry. In 1995, the ratio among these areas will be readjusted from 34.9, 34.7, and 30.4 percent in 1990 to 29.3, 38.9, and 31.8 percent.
- c. The ratio of accumulation to consumption. During the Eighth Five-Year Plan, the average annual consumption rate will be reduced from 69.5 percent from the Seventh Five-Year Plan period to 68 percent; the average annual accumulation rate will be raised from 30.5 percent to 32 percent.

3. Economic efficiency

- a. During the Eighth Five-Year Plan period, new products developed by the province's industrial enterprises will reach 6,000 kinds. The ratio of the output value of new products to the total industrial output value will be increased from 10 percent in 1990 to 15 percent in 1995.

b. In 1995, energy consumption for an industrial output value of 10,000 yuan, calculated in terms of 1990 prices, will decrease from 3.42 metric tons of standard coal in 1990 to 2.94 metric tons, representing an annual energy-saving rate of 3 percent.

c. In 1995, labor productivity will reach 25,545 yuan per person, calculated in terms of 1990 prices, an average annual increase of 3.5 percent.

d. The turnover rate of standard current funds from state-run industrial enterprises under budget will be shortened to about 100 days in 1995.

e. The profit and tax rates of industrial funds will reach the average level of the country during the later period of the Eighth Five-Year Plan.

4. Science, technology, and education

a. Science and technology. Ten items of key technologies which have contributed to a marked increase in agricultural production, 40 items of energy-saving technologies, and 7,550 items of new technology for developing key new products will be popularized; 50 items of scientific and technological research will be tackled; and 20 items from imported technologies will be assimilated.

b. Education. During the later period of the Eighth Five-Year Plan, the school attendance rate of school-age children in rural areas will exceed 95 percent. In urban areas junior middle school education will be basically popularized. In cities and districts directly under provincial administration and in some county seats, senior middle school education will be basically popularized. The illiteracy rate and semi-literacy rate will be decreased from 24.4 percent in 1990 to 20 percent or below.

5. Social undertakings

a. The natural population growth rate will be kept at an average of under 16.77 percent each year for the next five years;

b. The unemployment rate will be kept at an average of 3.5 percent each year;

c. Labor protection will be further strengthened. An initial social insurance system, including insurance for the aged and for the unemployed, will be established;

d. Efforts will be made to completely restore rural medical facilities destroyed by floods, to improve medical care, and to increase the number of hospital beds at and above the county level to 7,500 in five years;

e. Efforts will be made to streamline use of state land, to tighten control on use of land for nonagricultural purposes, and to strengthen environmental protection;

f. New progress will be made with respect to such social undertakings as the press, publishing, culture, health work, sports, cultural relics, archives, broadcasting, movie, television, literature, and art.

III. Tasks and Policies for the Development of the Major Sectors of the Economy During the Eighth Five-Year Plan Period

(1) Agriculture

—Strengthening agriculture's overall production capacity. Further raising the production standard for major agricultural crops such as grain, cotton, and oil-bearing crops; vigorously strengthening forestry building and implementing the afforestation plan of the Eighth Five-Year Plan in an all-round way; further developing livestock breeding and aquaculture and vigorously increasing the production of meat, eggs, poultry, milk, and fish.

—Optimizing the rural economic structure. On the premise of maintaining a steady growth in grain output, we will adjust production and farming distribution in accordance with market demands and strengthen developmental farming; implement the strategy of tackling Huaibei step by step; and speed up the development of village and township enterprises in order to enrich the rural economy.

—Markedly improving agricultural production conditions. We will strive to expand the acreage under effective irrigation and the acreage of stable yields irrespective of drought or waterlogging, speed up the transformation of medium-output farms, and vigorously promote farming mechanization.

—Vigorously raising the people's standard of living. The net income of peasants throughout the province will reach 800 yuan by the later period of the Eighth Five-Year Plan. We will continue the work of aiding impoverished areas so as to help the impoverished people in the nondisaster areas and light-disaster areas in 1991 free themselves from poverty and to enable them to have steady income by the later part of the Eighth Five-Year Plan period. In the disaster-stricken areas, particularly in areas suffering from serious disasters, the first two or three years will be devoted to the restoration of production and the rebuilding of homes, and the next two or three years will be devoted to ensuring adequate clothing and food.

In 1995, total grain output will reach 27.50 million metric tons, an increase of 2.3 million metric tons over 1990; cotton will reach 300,000 metric tons, an increase of 64,000 metric tons; oil-bearing crops will reach 1.4 million metric tons, up 109,000 metric tons; total output of meats will reach 1.4 million metric tons, up 211,000 metric tons; the output of aquatic products will reach 400,000 metric tons, an increase of 109,000 metric tons; and the rate of forest cover will reach 23 percent, a rise of 4.9 percentage points.

(2) Water conservation

We will speed up repairs of flood-destroyed water conservation projects; strengthen the construction of key water conservation projects; upgrade and renovate existing water conservation facilities and build more supporting projects; develop small hydroelectric stations; and markedly improve the water conservation

conditions. In the next five years, the province will increase the acreage under effective irrigation by 5 million mu and the acreage of farms giving steady yields irrespective of droughts and waterlogging by 2.5 million mu and will raise the generating capacity of its small hydroelectric stations by 50,000 kilowatts.

- We will raise the flood-control capacity of the main-stream of the Chang Jiang, of its main tributaries such as the Shuiyang Jiang, and of other inland rivers, and carry out an overall plan to harness Chao Hu.
- We will strengthen the construction of irrigation and drainage projects and improve supporting projects and management. In the Huaibei Prefecture harnessing rivers and soil improvement will be integrated, and well irrigation will be vigorously developed; early-stages of the work for the project to divert river water to Huaibei will be stepped up, the construction of the projects for "comprehensive agricultural development on the Huanghuaihai plain" and for "strengthening agricultural irrigation" in Huaibei will be accelerated. In mountainous and hilly areas, the work of building supporting projects for and of upgrading and renovating existing irrigation facilities will be stepped up. In the dyke areas along the Chang Jiang, more drainage stations will be built, and dredging of drainage ditches and harbors will be carried out.
- Efforts will be made to strengthen water reservoirs so as to eliminate danger. Emphasis will be placed on strengthening such large and medium-sized reservoirs as Longzikou, Fojialing, and Mozitan. Construction of the Bailiyan water reservoir and resumption of the construction of Dafangying water reservoir in Hefei will be stepped up.
- Efforts will be made to prevent soil erosion. In the Dabieshan region and the mountainous areas in southern Anhui, comprehensive control programs will be actively carried out in the various small basins.

(3) Rural Enterprises

The key to basically changing Anhui Province's rural economic conditions and enabling the people to enjoy a comparatively comfortable life lies in expediting the development of rural enterprises. We should produce as many salable products as quickly as possible, which will generate economic returns. Counties (districts)—that developed favorably earlier with an annual output value from their existing rural enterprises amounting to about 1 billion yuan—should strive to increase their rural enterprises' annual output value to more than 3 billion yuan by 1995. Counties (districts)—with recently established rural enterprises producing an annual output value of between 300 million and 1 billion yuan—should strive to increase their rural enterprises' annual output value so that some of them will produce an annual output value of more than 2 billion yuan by 1995. Counties (districts)—with poor foundations that began developing late, especially poverty-stricken areas—should quickly generate speed, progress in an all-around manner, and strive to increase their rural enterprises'

annual output value so that some of them may produce an annual output value of more than 1 billion yuan by 1995. We should strive to increase the total output value of Anhui Province's rural enterprises and make them grow at an annual rate of over 20 percent. The total annual output value of Anhui Province's rural enterprises should reach two relatively high levels in the 1990's and amount to over 80 billion yuan by the end of the "Eighth Five-Year Plan" period.

(4) Energy Resources Industries

1. Coal Industry

We should increase the extraction of coal—earmarked for unified state distribution—in Huainan and Huaibei cities, accelerate technical transformation in provincial mining pits and the construction of mining pits at Xinji and Xiaoxian County's mining areas; and safeguard production at state mining pits in various prefectures and counties in south Anhui Province. Total coal output in 1995 will be 39 million tonnes, an increase of 6.946 million tonnes over 1990; out of this total output, coal output under state distribution will be 29 million tonnes, an increase of 4.456 million tonnes over 1990; and local coal output will be 10 million tonnes, an increase of 2.49 million tonnes over 1990.

The actual construction programs are as follows. During the "Eighth Five-Year Plan" period, 19 pairs of coal mining pits will be constructed in Anhui Province with a total production capacity of 32.5 million tonnes. Out of this total construction, 11 pairs of coal mining pits will be constructed and designed to produce 28.6 million tonnes of coal earmarked for unified state distribution. And the remaining eight pairs of coal mining pits will be constructed and designed to produce 3.9 million tonnes of coal to be distributed by local authorities. According to the programs, nine pairs of coal mining pits will be completed and will begin production during the "Eighth Five-Year Plan" period with a total production capacity of 11.59 million tonnes. Out of this new construction, three pairs of coal mining pits—Pansan Mine, Xieqiao Mine, and Taoyuan Mine—will be constructed and designed to produce 8.2 million tonnes of coal earmarked for unified state distribution. And the remaining six pairs of coal mining pits—Liu Qiaoei Mine, Renliou Mine, Xinji Mine, Caishan Mine, Zhengyaozhuang Mine, and Daiqiao Mine—will be constructed and designed to produce 3.39 million tonnes of coal to be distributed by local authorities.

2. Electric Power Industry

We should actively construct electric power stations in ports and near coal mines, strive to develop resources for hydroelectric power generation, and systematically develop heat and power stations. Meanwhile, we should also construct several sets of electric transformer substations and transmission networks. During the "Eighth Five-Year Plan" period, the additional installed capacity will be 2.105 million kilowatts (including hydroelectric power capacity of 80,000 kilowatts). In 1995, the total

annual installed capacity will be 6 million kilowatts with a generating capacity of 29 billion kilowatt-hour, an increase of 49.3 percent over 1990 at an annual growth rate of 8.4 percent.

According to specific construction plans, total electricity generation will amount to some 4.1 million kilowatts during the "Eighth Five-Year Plan." Main electrical power plants that will be constructed and put into operation include the Maanshan Electrical Power Plant, the Wuhu Electrical Power Plant, the fourth-stage project of the Huaibei Electrical Power Plant, the No. 2 generating set of the Pingxu Electrical Power Plant, the No. 4 generating set of the Hefei Electrical Power Plant, the second Maanshan Electrical Power Plant, and the Xianghongdian Pump Storage Electrical Power Station. Preparations are underway to build the second-stage project of the Luohe Electrical Power Plant, the second Huaibei Electrical Power Plant, the Wanzhong Electrical Power Plant, the Fuyang Electrical Power Plant, and the Anqing Electrical Power Plant. The old Tianjiaan Electrical Power Plant will be rebuilt. There are plans to build 220,000-volt, 110,000-volt, and 35,000-volt power transmission lines totaling 689 km, 1,400 km, and 2,900 km, respectively. In addition, a number of transformer substations will be constructed.

3. Rural energy

The power grid in the countryside will be improved to expand the supply of electricity to rural areas. Active efforts will be made to build fuel forests; the use of stoves that save firewood and coal will be promoted vigorously, as will that of energy-efficient water tanks. Marsh gas will be exploited energetically, and the construction of small coal mines will be intensified. Experiments will be run on the development and utilization of such resources as solar and wind energy. Energy conservation in production will be promoted in the countryside by vigorously disseminating advanced energy-saving techniques and equipment among village and town enterprises, and by improving the rate of energy utilization.

4. Energy conservation

Key aspects of energy conservation work will be carried out in such major energy-consuming departments as metallurgical, electrical power, chemical industry, building materials, machine-building, communications, and construction industry departments. During the "Eighth Five-Year Plan," nine thermal power stations with an installed capacity of 106,000 kw will be built, 410,000 cubic meters of urban coal gas developed, and 40 new energy-saving techniques promoted. The province plans to conserve or make economical use of 3.08 million tonnes of standard coal in five years' time.

(5) Raw and semifinished materials industry

1. Fundamental tasks and principal goals

The exploitation of rich mineral resources such as iron, copper, sulphur, and limestone will be intensified.

Attention will be paid to the processing, conversion, and comprehensive utilization of resources. A number of state-level industrial enterprises dealing in raw and semifinished materials will be renovated or constructed, so as to significantly improve the production capacity of our province's raw and semifinished materials industry.

During the "Eighth Five-Year Plan," the planned increases in production capacity will be 1 million tonnes for coal, 870,000 tonnes for rolled steel, 400,000 tonnes for sulphuric acid, 100,000 tonnes for caustic soda, 270,000 tonnes for chemical fertilizer, and 2 million tonnes for cement.

2. Iron and steel industry

The Gaocun and Longqiao iron mines will be built, and preparatory work will be stepped up to develop the Huoqiu iron mine. A number of promising township mines will be rebuilt and expanded. Attention will be paid to renovating and expanding the Maanshan Iron and Steel Company and the Hefei Iron and Steel Company. During the "Eighth Five-Year Plan," the Maanshan Iron and Steel Company will build a 2,500-cubic meter blast furnace and related support projects, a multipurpose shaping and rolling mill capable of producing 600,000 tonnes of shaped and rolled steel annually, and supplementary continuous casting mills, so as to form a product line featured by tires, high-speed wire rods, large H-shaped steel plates, and medium plates. Meanwhile, the Hefei Iron and Steel Company will improve its Bessemer converters, build new small continuous rolling mills, complete the relocation of its blast furnace for an overhaul, and develop an overall steel production capacity of 600,000 tonnes. The output of pig iron, steel, and rolled steel will total 4 million tonnes, 3.5 million tonnes, and 2.75 million tonnes, respectively, in 1995, up 40.1 percent, 41.1 percent, and 46 percent from 1990. Overall coal consumption in tonnage by steel will decline from 1.35 tonnes of standard coal to 1.3 tonnes.

3. Nonferrous Metals Industry

Priority should be given to developing copper, gold, and silver mines in areas along the river, including those in Tongling and Anqing, to opening up the Datuanshan Copper Mine in Tongling, the Dongkuashan Copper Mine, the Makushan Copper Mine and the Huangshilao Gold Mine in Tongling, to transforming the No. 1 Smelting Plant under Tongling Nonferrous Metals Company, and to completing the Anqing Copper Mine, the Xinjiao Sulfur-Iron Mine, and its 2,000 tons-per-day copper processing plant. Efforts should be made to actively develop the Wuhu Smelter and the advanced copper materials processing plant in Tongling, and to promote exports of finished products and imports of substitute products. Our production targets for 1995 are 30,000 tons of metal copper, 60,000 tons of composition metal, 60,000 tons of electrolytic copper, and 14,000 tons of electrolytic aluminum.

4. Chemical Industry

Efforts should be made to expand the chemical industry. On completion, the Anqing Petrochemical General Plant will produce 50,000 tons of acrylonitrile, and will be equipped with installations with a 400,000-ton capacity for catalytic decomposition, and a 150,000-ton capacity for selective aromatization. We should make use of the resources of the petrochemical general plant to deepen processing and carry out the projects on polypropylene and sodium cyanide; to expand the operation scale of the Tianchang Oil Fields, to speed up oil prospecting along the river valley including in Hefei and Fuyang, to accelerate the construction work for the ethylene project and strive to make them operational by the later part of the "Eight Five-Year Plan."

Continuous efforts should be made to develop agriculture-base chemical industry, basic chemical industry, and fine chemical industry. Attention should be paid to constructing projects for product processing, including projects for 240,000 tons of phosphamidon in Tongling, 150,000 tons of synthetic ammonia in Huainan, 110,000 tons of urea in Hefei, 15,000 tons of phosphoric acid in Wuhu, the coking plant in Maanshan, the sulfuric iron projects in Xinjiao and Lujiang, the 100,000 tons of caustic soda in Hefei and 300,000 sets of radial tires. In 1995, the output of sulfuric acid, chemical fertilizer, pesticide, soda ash, caustic soda and tire will be 1 million tons, 1.28 tons, 8,000 tons, 80,000 tons, 150,000 tons, and 1.2 million sets, respectively, up 21 percent, 33.3 percent, 75.1 percent, 91.6 percent, and 8.7 percent over 1990.

5. Building Materials Industry

Focus should be placed on building the cement plant in Tongling, and on transforming the cement plants in Chaohu and Baimashan. Vigorous efforts also should be made to increase production of bulk cement and plate glass. Efforts should be made to actively develop production of decorative materials, roofing materials, sanitary equipment, and light and insulating wall materials, and to enhance the development and exploitation of marble, granite, limestone, quartzite, and other nonmetal mines. The output of cement and plate glass will be 12 million tons and 1.7 million weight boxes in 1995, respectively, up 35.5 percent and 8 percent over 1990, and the proportion for new types of building materials should exceed 10 percent.

6. Forest Industry

Vigorous Efforts should be made to develop the comprehensive use of timber, as well as diversified operations of forest industry and forest areas. The output of timber and artificial board will be 1.04 million cubic meters and 140,000 cubic meters in 1995, respectively, an increase of 1.1 times and 2.7 times over 1990.

7. Medical and Pharmaceutical Industry

Continuous efforts should be made to develop glucose, antibiotics, amino acids, and similar products, as well as

ready-made traditional Chinese medicines. Steps must be taken to actively develop new pharmaceutical products and new drugs. At the same time, efforts should be made to improve production of medical equipment and instruments. During the "Eighth Five-Year Plan" period, attention should be given to doing a good job in carrying out technological transformation in the 20 key enterprises, including the pharmaceutical factories in the cities of Tunxi, Wuhu, Bengbu, Hefei, Liuan, and Chaoan.

(6) Geological Exploration and meteorological Work

We shall strengthen local efforts in geo-exploration for minerals and carry out geohydrologic, geo-engineering, and environgeologic surveys. In addition, to serve agriculture, we will further improve regional agrogeologic and geohydrologic work, and improve our capability to monitor and forecast geologic disasters.

On the meteorologic front, we will vigorously improve our capability to monitor, forecast, and alert people to calamitous or crucial weather changes, and actively broaden weather services.

(7) Electronics and Engineering Industries

1. Basic tasks and major targets

We will vigorously press ahead with the task of reorganizing and upgrading existing enterprises, broaden cooperation among specialized enterprises, improve product quality and performance, increase product variety, and expand exports. During the "Eighth Five-Year Plan," the engineering and electronics industries will aim to develop 2,500 new products, thereby bringing the number of products to around 8,000. In addition, the share of products consisting of both electronic and machine components will be raised to 8 percent, 70 percent of major products will achieve the international levels of the early 1980's, with the other 30 percent attaining mid-1980's levels, the share of quality products will go up from 47 percent in 1990 to 55 percent, and the combined export volume from engineering and electronic products will make up 20 percent of Anhui's export total.

2. Electronics Industry

We will vigorously promote the application of electronic technology in various trades and industries, explore new ways to use electronic technology to upgrade traditional industries, steadily develop electronic goods for consumer use, and constantly increase the variety and production scope of electronic components. During the "Eighth Five-Year Plan," we will concentrate on the construction of a production line for electronic copper belting, a production line for polyester film, a safety monitoring system for coal mines, an optical fiber/cable project, a sensor project, a magnetic material project, and an integrated circuit tester project. By 1995, Anhui

will produce 1,000 tonnes of polyester ductile film, 30,000 tonnes of magnetic powder, 100,000 sets of telecommunication equipment, 1 million color televisions, 4,000 tonnes of electronic belting, 200,000 force sensors, and 300 complete sets of energy-saving equipment for making cement.

3. Engineering Industry

Centering on key areas in national economic development and on increasing exports, we will develop various new electromechanical equipment and products that are advanced, save energy, reduce waste, and have high efficiency. Top on the list are hydraulic excavators, forklifts, automobiles, compressors, internal-combustion engines, multipower electrical machinery [fen ma li dian ji 0433 7436 0300 7193 2623], and walking tractors. During the "Eighth Five-Year Plan," we will set up 10 export bases for such products as forklifts, multipower electrical machinery, transmission machinery, numerical display measuring instruments [shu xian liang ju 2422 7359 6852 0367], and diesel engines. In addition, we will form 10 enterprise groups featuring household electric appliances, engineering machinery [gong cheng ji xie 1362 4453 2623 2750], equipment for transmitting and transforming electricity, and microcomputers [wei dian ji 1792 7193 2623]. In so doing, we shall be able to attain stronger competitiveness. By 1995, Anhui will produce 5,000 fork lifters, up 330 percent from 1990, 800 hydraulic excavators, up 31 percent, 20,000 automobiles, up 700 percent, 2,500 bus chassis, 7 million kilovolt-ampere of transformers, up 230 percent, and 6.6 million microcomputers, up 85 percent.

4. Defense Industry

We will enhance our efforts in scientific research and testing. We will also promote technical upgrading in the manufacturing sector to raise our capability and levels in developing defense products on our own, and fulfill state-designated key scientific research projects and defense industrial production targets. We will further adjust the defense industrial structure, actively develop civilian products, and gradually set up a system that caters to both military and civilian needs.

(B). Light and Textile Industries

1. Basic tasks and principal goals

Advanced and applicable technologies will be used to transform existing enterprises into a group of superior industries and commodities that have a stable market. This will enhance the overall strength, and the domestic and international competitiveness of our province's light and textile industries. During the Eighth Five-Year Plan, key transformations will be carried out for Anqing Leather Plant, Hefei Refrigerator Plant, Hefei Washing Machine Plant, Chuzhou Yangzi Electrical Plant, Wuhu Aluminium Products Plant, Bangbu Cigarette Plant, Wuhu Cigarette Plant, Anhui Textile Mill, Anqing Textile Mill, Fuyang Textile Mill, Huaibei Textile Mill,

Wuhu Textile Mill, Jinzhai Silk Plant, Tongling Chemical Fiber Plant, and Anhui Vinyon Plant. A new 50,000-ton capacity Anqing Wood Pulp Plant will be built, and constructions will be completed for Suzhou Synthetic Detergent Plant, the 10,000-ton capacity Anhui Fatty Alcohol Plant, Hefei Polyamide Fiber Plant, and Chuzhou Chemical Fiber Plant's Viscose Fiber Project. Dingyuan Salt Plant will be extended. During the Eighth Five-Year Period, additional production capacities for the following products will be: Chemical fibers 60,000 tons, machine-made paper and cardboard 100,000 tons, household refrigerators 600,000 units, washing machines 300,000 units, salt 200,000 tons, and synthetic detergents 100,000 tons.

2. Light Industry

Food industry. Efforts will be made to continue the effective production of basic foods, the development of nutritious and healthcare foods, instant foods, traditionally renowned and specialized food items, as well as the active development of new types of food. By 1995, the following production goals are to be reached: 2.5 million cartons cigarettes, 300,000 tons salt, and 450,000 tons beer.

Durable consumer goods industry. New types of household electrical products will be strongly developed, and their quality and volume will be raised and expanded so as to increase foreign exchange earnings. By 1995, the production of household refrigerators and washing machines will reach 950,000 units and 640,000 units respectively.

Paper making industry. The making of pulp with medium and long fibers such as wood, bamboo, and flax will be actively developed. A series of medium and high-grade papers, newsprint, computer paper, papers for industrial use will be developed. The production of machine made paper and cardboard will reach 480,000 tons by 1995.

Chemical industrial products for daily use. A series of detergents, cosmetics, and healthcare products will be developed, and the production of synthetic perfumes and natural essence and perfumes will be exploited.

Leather goods industry. Light, thin, and soft leather materials will be vigorously developed, and various types of high and medium-grade leather products such as shoes, garments, luggage, and belts will be developed so that their exports will be increased.

Plastic products industry. Emphasis will be given to the development of plastic products for agricultural and daily uses, and various types of engineering plastic products and plastic net products will be developed.

Other light industries. The development of glass for daily use, enamel ware for daily use, light industrial machinery, modern lighting sources and lamps, arts

and crafts, products of culture, education, and sports, hardware, and various types of small commodities will be stressed.

3. Textile and garment industry

Chemical fiber industry. The production of acrylic fiber, viscose, and polyester fiber will be increased. Varieties of modified, dyed, and fine fibers will be actively developed, and efforts will be made to increase the proportion of chemical fiber in the textile industry. The production of chemical fiber will reach 45,000 tons by 1995.

Cotton textile industry. The technological transformation of the whole industry will be speeded up to develop new varieties and new colors and designs, and to upgrade product quality. The production of cotton textile will reach 272,100 tons by 1995.

Silk industry. The production of silk will be vigorously developed and the standard of maintenance of silk will be greatly upgraded.

Garment industry. Garments for export and various types of garments will be vigorously developed, and the production of garments made of feather, leather, and silk will be increased.

(9) Communications and Transportation, Post and Telecommunications

1. Communications and Transportation

To actively develop railways, to positively develop highways, and water transport, and to speed development of aviation in order to upgrade overall transportation capacity. In 1995, the province-wide cargo volume will reach 577.51 million metric tonnes, up 29.4 percent from 1990; the rate of cargo turnover will be 75.5 billion tonne-kilometers, up 14.0 percent; the passenger transport volume will reach 550 million persons, up 19.1 percent; the passenger transport turnover will be 32.6 billion passenger-kilometers, up 29.1 percent; and port and the harbor tourists handling volume will number 18 million, up 15.7 percent.

Railroads. To construct an additional 400 kilometers of railroad track, to complete the Xuan-Hang railroad and the He-Jiu railroad, the FU-Huai and Huainan multiple-track railroads, the Qinglu feeder railroad for coal transportation, and to strive to construct the dual-purpose Wuhu-Changjiang railroad bridge during the Eighth Five-Year Plan.

Highways. To transform the Hefei-Wuhu-Nanjing highway.

To complete the Tongling-Changjiang highway bridge. To complete the transformation of the province's 18 trunk roads linking Hefei to various cities and prefectures, and to positively construct roads in counties and villages. In 1995, the total mileage of the province's highway shall reach 35,000 kilometers, up 4,874 kilometers from that of 1990.

Water transport. Actively develop Changjiang's shipping, inland water transport, and combined river and sea transport, to enhance construction of major ports, to strive to construct the Pi-Huai, Xinanjiang, Nanfeihe, Nihe, and Wanhe water transport routes, and to make preparation for the construction of the Jiang-Huai canal. The total mileage of inland water transport routes within the province will reach 6,031 kilometer in 1995.

Civil aviation. To improve the Hefei and the Huangshan airports, to transform the Wuhu and the Anqing civil aviation station, and to do a good job in preliminary work on the expansion of the Fuyang airport and the relocation of the Bengbu airport.

2. Post and telecommunications

To basically complete the construction of the province's main transmission lines and the transmission lines linking various prefectures (cities) with counties under their respective jurisdiction, and to complete construction of the province's grade 2 and grade 3 postal centers. The province's post and telecommunications volume will reach 0.8 billion yuan in 1995, up 1.36-fold from that of 1990, and to raise the province's inner city telephone ratio to 5 units per 100 persons.

Construction of long distant, inner city, and rural telephone exchange networks. To continue to install digital inner city telephone switchboards and complimentary imported digital long distant telephone switchboards in prefectural- and municipal-level cities throughout the provinces; to install digital telephones in economically developed major counties; to merge larger townships' rural telephone lines into county or city telephone networks; and to install telephone exchange points in every village and provide telecommunication links to 90 percent of the administrative villages by the end of the Eighth Five-Year Plan.

Construction of long distant transmission lines. To construct the Anhui portion of the Jing-Ning optical fiber cable, to continue construction of the Hefei-Wuhu-Huangshan digital microwave and the Fuyang-Huaihei microwave circuit, to transform Huaihei's, Fuyang's, and Luan's analogue communication lines to high volume digital lines, and to basically complete construction of optical fiber and microwave projects to link various prefectures and cities with counties under their respective jurisdiction.

Construction of Postal services. To complete construction of the Anhui postal hub and postal service centers of nine prefectural- and city-level bureaus, to construct 40 county and township postal service centers in phases and to actively develop post and telecommunications service networks at the same time.

(10) Construction Industry

1. The aggregate output value of the province's construction industry will be about 5.5 billion yuan in 1995, up

94.3 percent from that of 1990 at an average annual growth rate of 14.2 percent.

2. The labor force's rate of productivity will reach 11,500 yuan per person per year by the end of the Eighth Five-Year Plan at an average annual growth of above 7 percent.

3. Actively develop the production of pre-fabricated parts, standardized parts for rural housing construction, and other building material products to enhance enterprises' income in order to strengthen self-accumulation ability.

(11) Tourism

By focusing on international tourism, we must positively develop, construct and complement the hardware and software of tourism to increase the importance of tourism in the provincial economy. Efforts should be made to further preserve and develop our rich natural scenery and culture, in particular we must speed the construction of the Huangshan-Jiuhua-Hefei tourist route to closely incorporate tourism with foreign trade and economic development in order to stimulate the growth of tourism related industries. We should improve the management of all trades and professions and to actively develop production of tourism products. The number of tourists entering the province in 1995 will be between 230,000 to 280,000 person-day, and foreign exchange revenue from tourism industries will be \$23 million.

(12) Commodity Circulation

To gradually establish a highly efficient, smooth, and adjustable commodity circulation system and to augment the supply of means of subsistence and production materials, to stimulate the development of socialist commodity economy to benefit the people.

1. Circulation of Consumer Products

According to plan, the province's total retail volume of social products will be 44.7 billion yuan, up 61 percent from that of 1990 at an average annual growth rate of 10 percent. Efforts should be made to earnestly develop service industries closely linked to the daily life of the people.

2. Circulation of Production Materials

Actively promote the socialization, specialization, and modernization of the circulation of goods and materials, improve and perfect planned administration of materials, strengthen macro control over the entire society's goods and materials especially the flow of major production materials, do a good job in achieving an equilibrium in the demand and supply of major production materials; in the meantime, further strengthen the function of market adjustment, work hard to increase the rate of circulation of goods and materials and reduce the number of intermediaries in order to stimulate the development of planned commodity economy.

IV. Plans and Policies for Regional Economic Development During the Eighth Five-Year Plan

(1). Direction and Emphasis of Regional Economic Development

Economic Zones Along River Banks Continue to implement the Wanjiang development and opening to the outside world strategy with Wuhu as the breakthrough point, actively develop an export oriented economy, bring to play the complementary functions of development and opening to the outside world, strive to work hard in the next five to ten years to establish an industrial concentration belt with considerable weight in foreign trade along the river banks, and enable it to become Anhui's link to the Changjiang delta and the international market.

—By focusing on foreign oriented economy, we should gradually create a group of export product series, and by capitalizing on our province's "window" at Pudong, we should actively develop the integration of retail and manufacturing and works on overseas shipment, liaison, and procurement.

—Enhance tapping the resources along the river valley. The focus for agriculture should be placed on growing rice, tobacco, and rearing cocoons and aquatic products, while the focus for the mining industry should be placed on developing such resources as iron, copper, sulfur, limestone, marble, vitriol, gold and silver.

—Actively expand the depth and comprehensive exploitation of the processing industry. Priority should be given to the processing of black and nonferrous metals, as well as increasing the rate of production of agricultural and sideline products. Seize the sources of petroleum, coal, and sulfur to develop chemical industry, increase the rate of return for mining such ores as gold, silver, lead and zinc, and do a good job in comprehensive development of the residue of sulfuric acid and ardealite.

—Accelerate infrastructural construction for transportation and communications, and improve the investment environment.

—Give full play to the overall advantageous position of Wuhu City to speed up the pace of construction, and develop the urban economy of Maanshan City, Tongling City and Anqing City, each with its own characteristics.

—Strengthen coordinated efforts to establish collective superiority. Efforts should be made to quicken the pace of construction in areas within the economic zone along the river valley, including Chaohu, Xuancheng, and Chizhou prefectures, and mutually complement one another with the advantageous position of the four major cities to gradually form an economic pattern integrating the urban with the rural areas.

Huaihe Economic Zone. Efforts should be made to improve the tapping of coal resources to the north and south of Huaihe, and actively develop electric power, chemical industry, building materials and light textile industries. After strenuous efforts of 10-odd years, we

should be able to reap the benefits of steady production and high efficiency in agriculture, with industry playing the leading role, with internal and external trade on the rise and marked improvement in scientific and technological standards as well as economic quality, in this economic zone, marked with its distinctive characteristics and considerable radiation effect.

- Speed up farmland water conservancy construction so as to harness the river and improve the soil as well as transform the farmland with average or low yields, and actively develop irrigation systems.
- Adjust a pattern of agricultural production. Popularize the technology of planting during dry seasons in the north and northeast, appropriately increase production of paddy and corn along the Huaihe Valley and in the middle and the south. Moreover, vigorously develop animal husbandry and forestry as well as farm crops and fishery in the low-lying and flood retention areas along the Huaihe valley, which can avoid flooding and ensure harvest.
- Strengthen the comprehensive use of resources, increase the depth of processing of agricultural and sideline products, actively develop electric power and coal industry, make use gangue and coal ash to develop building materials industry.
- Continue to enhance the economic construction in Bengbu, Huainan, and Haibei cities; bring the adhesive and radiating forces of the central cities in Huaihe Prefecture into play; speed up the pace of construction in Fuyang City and gradually turn it into the economic center of northeast Anhui, and actively develop Suzhou City, Bozhou City and Jieshou City, and expand their urban functions.

Central Anhui Economic Zone. We will fully exploit Hefei city's scientific, educational, and industrial advantages to develop the machinery and electronics industries, to transform and upgrade light and textile industries, chemical industry, and metallurgical industry, as well as to vigorously open up newly developing industries and technology intensive industries, so as to gradually build Hefei into a base of machinery, electronics, light, and textile industries and high and new technologies which is accessible fairly easily.

- We will vigorously develop high and new technologies and concentrate our efforts on building Hefei's high and new technological and industrial development zones.
- We will continue to strengthen the construction of urban infrastructures and accelerate the development of tertiary industries such as finance, commerce and trade, and information.
- We will strengthen the comprehensive development of agriculture and speed up the construction of bases of agricultural sideline products, and actively develop agriculture intensively or moderately by stressing on the development of agriculture in suburban areas.

Southern Anhui Economic Zone. We will strongly develop the tourist economy, particularly the externally

oriented tourism economy, and gradually build the southern Anhui region into a tourism and trade economic zone with a vast influence both domestically and internationally.

- We will strengthen the construction of tourism facilities in Huangshan and further develop natural and manmade landscapes. We will increase the proportion of foreign tourists visiting Huangshan, and build it into a tourist resort of South East Asian and world level.
- We will utilize the abundant biological resources of mountain regions to develop the production of forestry, tea, mulberry, fruits, and tobacco.
- We will readjust the industrial mix. Forestry and tea products, medicines, plastic materials, machinery and electronics, food items, silk, pottery and porcelain, the four treasures of the study (writing brush, ink stick, ink slab, and paper), arts and crafts, and various other tourist commodities will be developed into a group of excellent products with the characteristics of the South Anhui Economic Zone.
- We will quicken the pace of the development of the Tunxi area, the Huangshan area, and the Huizhou area; further improve the transportation and communications conditions; construct Gang-Tun power transmission project; build and extend a group of commercial network, and construct cultural and entertainment centers with Southern Anhui characteristics.

Eastern Anhui Economic Zone. We will fully exploit Anhui's geographical advantages, being situated between coastal regions and the hinterland, to implement a comprehensive development by enhancing the economic and technological exchanges with coastal regions, making it a good intermediary between coastal regions and the hinterland.

- We will rationally develop and utilize farmlands, mountains, water, and grassland resources. We will effectively develop bases of commodity grains, silk-worm cocoons, flue-cured tobacco, and aquatic products. We will increase the production of agricultural side-line products of excellent quality and develop modern agriculture.
- We will give prominence to the development of machinery and electronics industries based on current foundations and advantages. We will modify and upgrade the food and textile industries as well as accelerate the exploration and development of the Dingyuan and Tongxiang salt mines, the Langxue copper mine, and Tianchang's oil resources.
- We will accelerate the construction of Chuzhou city to strengthen its economic power so that it will spur the economic development of the eastern Anhui area.

Dabie Shan and Huai He Economic Zone. We will continue our antipoverty work and actively develop industry in counties and townships. In addition, we will intensify our antipoverty efforts in impoverished areas in the wake of the 1991 floods, especially the six counties situated along the Huai He.

- In agriculture, while concentrating on forestry, we will promote the cultivation of mulberries, fruits, tea, and hemp, the breeding of herbivorous animals and poultry, and the aquatic products industry.
- We will accelerate the development of county and township-level industry. To this end, we will expand the processing of agricultural and forestry products and resources, quicken the exploitation of mineral resources, develop agriculture-oriented machinery, transport machinery, and auxiliary equipment, boost the industry in county seats (towns), and gradually develop Luan city into an economic center for the Dabie Shan area.
- We will enhance our efforts in comprehensively harnessing the flood drainage and storage areas along the Huai He and promote the economic development of these areas. We will vigorously improve basic production and living conditions and develop rural enterprises and diverse economic undertakings to enable people living in the Huai He valley to have stable sources of income, with which they may shed poverty and become prosperous.
- We will improve infrastructural facilities, such as energy, communications, and drinking water for humans and animals.
- We will vigorously promote scientific and educational undertakings. We will adopt necessary policies and measures to attract people of talent to work in impoverished areas.

(2) Regional Economic Cooperation and Integration.

- We will further foster economic and technological cooperation with other provinces while consolidating and broadening economic contacts with coastal areas.
- We will boost lateral economic cooperation among localities within the province, promote the development of regional markets, and encourage exchanges and cooperation in capital, technology, and information.
- We will further lateral economic integration among enterprises, readjust the structure of enterprises, and develop enterprise groups.

(3) Urban and Rural Planning and Construction.

We will focus on developing cities under provincial jurisdiction, gradually develop several powerful urban nuclei capable of stimulating economic development in surrounding areas, and enhance the development of county seats that have better conditions. By 1995, the number of regular towns will increase from today's 465 to 520, while population-based urbanization will climb to 20 percent, up five percentage points from 1990.

By 1995, tap water will be supplied to 99 percent of urban areas, and natural gas will be available to 40 percent of major cities.

In rural areas, by focusing on market towns and relying on rural enterprises, we will develop a number of new rural towns with distinct local features.

By 1995, comprehensive urban building development will reach 50 percent, of which 60 percent will be in residential houses. In the same year, 10 million square meters of commercial houses will be built.

During the "Eighth Five-Year Plan," 25 million square meters of new, residential houses will be built in urban areas and 150 million square meters in rural areas.

(4) Development and Improvement of State Land and Environmental Protection

- We will continue to carry out our comprehensive development and harnessing program with respect to the three river systems of the Chang Jiang, Huai He, and Xinan Jiang and Chao Hu (lake) in our province. With respect to a few towns and cities in northern Anhui where water supply is insufficient, we will enforce planned management of resources.
- We will manage land according to the law, strictly control the use of arable land for nonagricultural purposes, and further do a good job in water and soil conservation and soil improvement.
- We will strengthen management of mineral resources and strive to raise the mining stoping rate and the level of comprehensive use of mineral resources.
- We will strengthen cartography work.
- Environmental protection. In 1995, the amount of discharged industrial waste water throughout the province will be kept under 1.38 billion metric tons, that of discharged sulphur dioxide under 500,000 metric tons, and that of discharged dust under 550,000 metric tons. Treatment of solid wastes will reach 70 percent, and the acreage of soil erosion will be kept under 18 percent.

V. Tasks and Policies for the Development of Science, Technology, and Education during the Eighth Five-Year Plan Period

(1) Science and Technology

1. Transformation of Scientific and Technological Results. We will conscientiously popularize the application of existing scientific and technological results and strive to fulfill or basically fulfill key scientific and technological research projects that have been arranged. During the Eighth Five-Year Plan period, we will develop 7,500 items of new products and new technologies and will continue to carry out the "Spark Program" and the "Torch Program." The following are the key scientific and technological results whose application will be popularized over a large area:

In the agricultural sphere:

Technology for the comprehensive improvement of medium- and low-yield farms; cultivation and application of fine new strains; high-yield cultivation methods for major crops; soil survey and fertilizer application technology; integration of agronomy and farming machines; cultivation with the help of polyethylene mulch; comprehensive control and treatment of plant

diseases and insect pests; transformation of low-yield tea farms; scientific method of raising pigs, fish, and crabs and technology for the control and treatment of livestock and fish epidemic diseases; cultivation of fast-growing timber forests, shelter belts, and economic forests, and the comprehensive utilization of forest resources; and technology with respect to the processing, freshness preservation, storage, and transportation of farm and sideline products.

In the industrial sphere.

Management of coal production and warning systems to prevent explosions in mines; automatic control and measuring systems with regard to the production processes of the power, chemical, metallurgical, machinery, and building materials industries; economic management and information automation systems for the government at all levels and automation systems for their offices; technology for assisting designing with the help of computers; highly efficient dust-elimination technology for the metallurgical, power, and building materials industries; comprehensive control of harmful gases emitted during the production processes of the chemical and metallurgical industries; technology for comprehensive utilization of industrial waste residues; technology for anaerobic fermentation and comprehensive utilization of highly concentrated organic waste water discharged during the production processes of the food-processing, chemical, and pharmaceutical industries; technology for improving the recovery and utilization of alkali and acidic chemicals; new enzyme action depilating techniques for the tannery industry and technology for comprehensive use and recovery of alkali sulfides and chrome salts; technology with respect to electricity generation with residual heat; concentrated supplies of heat; joint production and joint supply of heat and electricity; new energy-saving technology for small chemical fertilizer plants; computer-controlled energy-saving and hot-pipe technology for industrial boilers and kilns; production and energy-saving automatic control technology for small cement manufacturing plants; energy-saving, welding, plating, and forging technology; new energy technology and new technique and technology for no-load electrical appliances and soundless infrared ray heating equipment.

2. Tackling Scientific and Technological Problems. During the Eighth Five-Year Plan period, emphasis will be placed on tackling the following problems:

In the agricultural sphere.

Comprehensive research to promote the sustained development of sandy black soil farming in medium- and low-yield areas; selective breeding of new high-yield strains of major agricultural crops (paddy rice, wheat, and rapeseed); application of biological technology to farming; processing and comprehensive utilization of farm and sideline products; selective breeding of good livestock strains; disease control and treatment; comprehensive development and utilization of fodder resources.

In the field of medical and health care.

Research on technology to improve family planning and prenatal and postnatal care; research on development of resources for traditional Chinese medicine; research on new medical apparatuses and equipment; and research on clinical medicine.

3. Basic research. We will establish a number of key local laboratories and intermediate experimentation bases and support a number of good application and basic research projects on a selective basis.

4. Philosophical and Social Sciences Research. The emphasis will be placed on the following: Research on major economic theories and practical problems; research on the basic principles of Marxism and Marxist philosophy; research on social problems; research on how to improve the legal system and administrative management; research on Anhui's literature and history; and the work on social sciences, libraries, information, and archives will be strengthened.

(2) Education

1. Basic Education. We will actively develop preschool education; vigorously develop junior middle school education; develop special education for blind, deaf, dumb, handicapped, and retarded children; and strengthen the work to eliminate illiteracy. By the later part of the Eighth Five-Year Plan period, primary compulsory education will be popularized in areas with about 80 percent of the province's total population, and compulsory junior middle education in areas with more than 35 percent of the province's total population.

2. Secondary Vocational and Technical Education. Efforts will be made to develop various forms of vocational education at a faster pace and to gradually establish a vocational and technical education system with distinctive Anhui characteristics. By 1995, efforts will be made to raise the ratio of enrollment and attendance rates of secondary vocational and technical schools to those of senior middle schools to above 50 percent; all types of day-time secondary vocational and technical schools throughout the province will enroll 110,000 students; an increase of 45 percent over 1990. In five years these schools will have trained 400,000 graduates, an increase of 21.2 percent over the Seventh Five-Year Plan period.

3. Regular Education of Higher Learning. We will optimize the distribution of schools of higher learning and adjust the structure of specialized courses and the establishment of branches of study. In 1995, regular day-time schools of higher learning throughout the province will enroll 14,700 students, an increase of 6.8 percent over 1990, and 100 graduate students, a rise of 17.6 percent. In the next five years, 70,000 undergraduate students and 500 postgraduate students will graduate.

4. Adult Education. We will develop and improve adult education by following the principle of running all forms of adult schools. During the Eighth Five-Year Plan

period, various adult schools of higher learning will train 52,000 specialized personnel with an educational level higher than that of technical schools, and 100,000 personnel with secondary technical educational level. The non-illiterate rate among young and middle-aged people will reach more than 85 percent.

VI. Investment in Fixed Assets During the Eighth Five-Year Plan period

According to an estimate, during the Eighth Five-Year Plan period the province's investment in fixed assets will amount to about 74 billion yuan, an average annual increase of 6.5 percent. Of the figure, investment by units owned by the whole people will be 38.5 billion yuan, an average annual increase of 5.5 percent.

(1) Principles Regarding Investment in Fixed Assets

- Investment arrangements and technological advancement will be integrated to raise the proportion of investment in technical transformation. During the Eighth Five-Year Plan period, the ratio of investment in technical transformation to that in fixed assets will increase from 36 percent during the Seventh Five-Year Plan period to more than 45 percent.
- We will adjust the integration of the investment pattern with the industrial policy, vigorously increase investment in basic industries, the infrastructure, and advantageous processing industries, and increase investment in the tertiary industries as much as possible.
- We will integrate investment arrangements with the strengthening of the construction of key projects. Some investments will be appropriately used for the construction or the planned construction of about 100 large and medium-sized capital construction projects and key technical transformation projects that will have a great impact on the long-term development of the province.

(2) Investment in Capital Construction

Priority should be given to construction plans in the sectors of agriculture, water conservancy, education, energy, transportation, communications, and major raw and semifinished materials, based on the industrial policies and the principles of performance. During the "Eighth Five-Year Plan" period, the focus of our planned new growth in productive capabilities is to produce over 10 million tonnes of coal, 2.105 million kilowatts of installed capacity in electric generated, 400,000 tonnes of ammonium phosphate, 500,000 tonnes of urea, 2 million tonnes of cement of the quality used to build kilns, 50,000 tonnes of kraft paper, 1.3 million tonnes of iron sulfide ores, 1 million tonnes of steel, 20,000 tonnes of raw copper, and 5 million mu of irrigated land.

(3) Investment in Technological Upgrading

Key efforts concerning technological upgrading during the "Eighth Five-Year Plan" period should be as follows: First, we should select a group of large- and medium-sized key enterprises to undergo major technological

upgrading. Our target is to develop new product variety, improve product quality, reap more foreign exchange from exports, cut down on consumption of energy and material, curtail pollution, and increase economic returns. Second, we should popularize a batch of key technology, focus on upgrading traditional industries with electronic technologies, and develop products which combine the use machinery and electronics skill. Third, we should systematically upgrade entire sectors such as textile and machinery sectors.

VII. Foreign Trade Relations and Economic and Technological Exchanges during the "Eighth Five-Year Plan" Period

(1) Import and Export Trades

1. Exports.

It is essential to actively increase exports of agricultural products, building materials, and nonmetallic materials that reap foreign exchange and simultaneously carry on our efforts to increase exports of traditional products. It is also essential to boost exports of manufactured goods, particularly machinery, electronics, and high-technology products. Such efforts should increase the proportion of machinery and electronics exports in the total volume of exports to 20 percent. They should also gradually shift our focus from exporting products manufactured with raw materials and primary-processing methods to products manufactured with secondary-processing methods. We should further export labor services, contract foreign projects, develop global transportation, promote our travel industry worldwide, and generate more foreign exchange from non trade-related sectors. In 1995, the province's total export volume in its foreign trading should reach \$1 billion, marking growth of 52.9 percent over 1990 and averaging growth of 8.9 percent annually.

2. Imports.

We should use most of our limited sum of foreign exchange to introduce advance technology and key equipment and to import materials needed in key projects to expand production and materials needed in the agricultural sector. According to our plan, in 1995 localities should use with foreign exchange acquired a total of \$250 million on imports, or an increase of 47 percent over 1990, averaging an annual growth rate of 8 percent.

(2) Inject Technology and Expertise Using Foreign Investment

We should be more active and effective in utilizing foreign investment and continue to vie for foreign loans, especially medium- and long-term loans provided by international financial bodies and mutually by governments on favorable terms. We should continue to regard efforts to attract direct foreign investment as the key work in investment utilization and set up "three types of partly or wholly foreign-owned" enterprises in greater numbers and of bigger scales. We should carry out more

projects promoting exports that reap foreign exchange, involve advance technology, and accelerate technological upgrading in enterprises. We should also actively introduce advance and applicable technology and expertise, expand the intangible portion of our technological imports, and earnestly and effectively carry work to infuse and absorb relevant imports and come up with new ideas. During the "Eighth Five-Year Plan" period, we plan to put to actual use foreign investment worth \$550 million, including direct investment of \$100 million by foreign businessmen and foreign loans totalling \$450 million. We also plan to use \$300 million of foreign exchange to import technologies and key equipment.

VIII. Economic Restructuring During the Eighth Five-Year Plan Period

(1) Revamp the Ownership Structure Now Dominated by Public Ownership

We will continue to consolidate and develop the socialist public ownership system dominated by state and collective economies, and we will appropriately develop independent and private economies and other economic elements so as to perfect the ownership system. We will give nonpublic-owned economies better control and guidance so that they can become useful supplement to socialist economy.

(2) Restructuring the Rural System

We will continue to stabilize various responsibility systems dominated by household contracts with remuneration linked to output, make constant efforts to improve the two-tier operating system which combines unified management and independent management, and actively develop socialized services so that collective economies can gradually become stronger. Rural areas in Anhui will have sound socialized services by the end of the Eighth Five-Year Plan period. We will also broadly popularize the experiences of integrating agricultural production, scientific research, and education.

(3) Restructuring Enterprises' Operating Systems

We will fully implement the "Enterprise Law" so that enterprises can gradually become socialist commodity producers and operators which will operate independently, be responsible for their own profits and losses, develop on their own, and exercise self-restraint. They must firmly replace the practice of "eating from the big pot" as well as the "three irons" system—"iron rice bowl," "iron armchair" [lifelong tenure], and "iron wages"—by mechanisms which control remunerations and investment, and by improving mechanisms governing incentives and supervision. We will continue to prompt enterprises to reorganize themselves, or become partners, or merge their businesses; to restructure the stock and leasing systems on an experimental basis; and to improve enterprises' contractual operating system.

(4) Restructuring the Distribution System

We will develop a socialist market system by improving the market of consumer goods, expanding the market of

production materials, and developing the capital, technology, information, real estate, and labor service markets. We will establish and restructure a large number of large wholesale markets and markets undertaking all kinds of commodity exchange, and promote the development of some regional markets trading specialized commodities. We will gradually promote the development of futures trade. We will give full scope to the main roles played by state-operated cooperatives and enterprises in charge of supplies and foreign trade, and actively decontrol operations, price setting, use of personnel, and distribution. We will also continue to support collective and independent businesses in playing their supplementary roles.

(5) Restructuring the Price System

In accordance with the state's unified planning, we will actively and steadily promote price reform, introduce mechanisms by which rational prices can be set, and establish a price control system. We will continue to reduce the categories of agricultural goods and industrial consumer goods whose prices are set by the state, and let the market play a greater regulatory role. Local price readjustments must be useful for rationalizing prices. We will firmly control the extent of price rises to make sure that the actual incomes of urban and rural residents will not decrease.

(6) Restructuring the Financial and Tax System

Earnest efforts will be made to restructure the revenue-sharing system on an experimental basis. Preparations will be made for instituting a new financial system. Financial departments at all levels must have dual budgets and strengthen their control over their budgets. We will develop county-level economies so that counties will have greater fiscal power. We will take gradual steps to rationalize the tax system, improve tax control, and give full scope to the macroeconomic regulatory role played by taxes.

(7) Restructuring the Monetary System

We will earnestly implement all measures which central authorities have put forward for reforming monetary affairs. We will actively develop local monetary organizations and money markets, broaden the issuance of all types of securities and stocks, develop and improve the security exchange market, and explore various forms of credit so that our society's monetary assets will gradually become more diversified. Our banks should continue to restructure themselves so that banking businesses' operations can be improved.

—Anhui Economic, Social Development Program

IX. People's Livelihood and Social Security During the Period of the "Eighth Five-Year Plan"

(1) Population

We must see to it that the birth rate and natural growth rate of the population are less than 20.47 percent and

14.47 percent respectively through control measures by the end of the period of the "Eighth Five-Year Plan."

Propaganda of and education in the basic national conditions and basic national policy of family planning must be conducted in depth over a protracted period of time in a bid to popularize the basic knowledge of population and family planning in both urban and rural areas throughout the province within the next two to three years and enhance population consciousness of all the people as well as their per-capita concept. We will implement the managerial responsibility system in an all-around way to achieve the objective of family planning, strengthen control over family planning among the floating population, continue to persist in focusing the work of family planning on rural areas, improving the network of family planning at the three levels of county, township, and village, step up the construction of parts of the infrastructure for the implementation of family planning at the county level, and train a contingent of family planning personnel at the grass-roots units who have received a good ideological education, have healthy work styles, possess professional skills, and are capable of management, and make vigorous efforts to promote welfare services as well as the work of the social security organization. It is necessary for all relevant departments and mass organizations to draw up effective and workable measures on the basis of the respective tasks that they have been assigned, work successfully in carrying out family planning, increase input of funds, be geared to the needs of the grass-roots units, and earmark a fund for its specified purpose only. —Anhui Economic, Social Development Program

(2) Labor Employment and protection

1. Arrangements for urban and rural labor force

In dealing with the rural labor force, the principle of "highlighting leaving the land but not the village, and work transfers within the same locality only" should continue to be implemented. The rich surplus of the rural labor force should be absorbed by a widened and deepened production front.

For labor employment in cities and towns, the principle of combining the state, collective, and individual into one should continue to be implemented. Efforts should be made to explore more employment sources and opportunities, and the population leaving the agricultural sector should continue to be under control. During the "Eighth Five-Year Plan" period, there are plans to provide employment to some 570,000 people in cities and towns through various formats, and to keep the employment rate for cities and towns below 3.5 percent or lower.

2. Labor protection.

While continuing the practice of "prioritizing safety and precautions," vigorous efforts should be made to

improve work conditions, perfect safety devices and supervisory means, eliminate factors in the process of production that may jeopardize both personal safety and health, basically control the occurrence of fatal accidents, and lower death and casualty rates and occupational diseases among staff members and workers in enterprises.

(3) Residents' Income and Consumption Structure

1. Residents' income.

By 1995, total wages for the province will reach 13.1 billion yuan, an increase of 4.43 billion yuan with an averaged annual increment rate of 8.6 percent. Averaged wages for staff members and workers will reach 2,574 yuan with an averaged annual increment rate of 7.1 percent. Per capita net income for peasants in the province will reach 800 yuan, an increase of 48.4 percent over 1990 with an averaged annual increment rate of 8.2 percent.

2. Consumption structure.

Consumption structure will be further improved in the wake of residents' increased incomes. In food, the proportion of consumption in meats, eggs, milks, aquatic products, and fruits will go up, in clothing, ready-made garments will be in greater demand with marked improvement in quality, and in articles for use, ownerships of durable consumers' goods, such as domestic appliances, will be further increased. Efforts will be made to secure a per capita space occupying rate of 7.5 sm [square meters] for city and town residents while rural housing conditions will continue to improve. Homes damaged by major disasters in 1991 will be replaced with permanent ones. While facilities in communications and posts and telecommunications will be further improved, contents of the people's cultural life will be enriched and diversified day after day.

(4) Public Health and Physical Culture

1. Public Health Undertakings.

Public health undertakings will be vigorously promoted with emphasis on providing better medical and health care services to the rural areas. During the "Eighth Five-Year Plan" period, half of the counties throughout the province will achieve elementary health care standards. A score of medical and scientific research facilities will be constructed. During the "Eighth Five-Year Plan" period, a total of 7,500 hospital beds will be added with an increment of 175,000 professional health care personnel. Intakes for Chinese medical vocational schools will reach 1,500. Eighty-five percent of the public health organizations at county, prefectural, and village levels throughout the province will be able to provide an all-around elementary health care services.

2. Physical Culture Undertakings.

It is necessary to vigorously promote sports activities involving the masses, constantly enhance the people's

health level, step up training of professional sports personnel, raise the province's levels in competitive sports, increase competitive sports events to about 25, maintain a level of competitive sports above the average of national standards, upgrade and expand some key sports facilities, and construct sports facilities at prefectural (city), county levels when local conditions permit.

(5) Social Security Undertakings

It is necessary to reform the various social pension insurance system and unemployment insurance system for staff members and workers in cities and towns by implementing a multilevel social insurance scheme. In rural areas, experiments on old-age security and insurance for disaster relief and cooperation should be positively unfolded. Besides, continued efforts should be made to implement the cooperative medical insurance system and protect the rightful interests of the handicapped.

We should actively promote welfare undertakings by building a score of new social welfare facilities, renovating some social welfare establishments and units charged with the responsibilities for looking after the welfare of the needy, promoting welfare enterprises, energetically launch community services, and conscientiously do a good job in providing help to the needy and social relief work.

—Anhui Economic, Social Development Program

X. Socialist Spiritual Construction and Construction of Socialist Democracy and Legal System During the Eighth Five-Year Plan Period

(1) Basic tasks

One basic task of our modernization drive is to promote a high sense of socialist ethics. We will uphold the Four Cardinal Principles, resist the inroads of decadent capitalistic and feudalistic thinking, and repudiate bourgeois liberalization in order to consolidate political stability and unity. We will heighten the Anhui people's political awareness, ethical sense, and literacy, and, as our material construction continues to proceed, we will satisfy the people's growing cultural and spiritual needs.

(2) Cultural construction

We will continue to adhere to the course of serving the people and socialism, encourage creation, foster the outstanding national culture, and publicize new people, new things, and new deeds appearing during the course of socialist modernization, reform, and opening up.

1. Literature and art.

We will continue to promote literary writing, theatrical works, music, choreography, variety shows, acrobatic shows, and art. Attention will be given to the development of Huangmei theatrical works, Anhui theatrical

works, and flower drum shows, which are characteristically Anhui's. Priority will be given to building additional arts facilities. Preparations will be made during the Eighth Five-Year Plan period to build the Anhui children's art theater and the Anhui art gallery.

2. Radio and television broadcast, and cinematography.

During the Eighth Five-Year Plan period, the construction of the provincial radio and television broadcasting center will be accomplished, and 1,920 km of microwave transmission cables for radio and television broadcast will be installed. By the end of 1995, 90 percent of the people in Anhui will be able to receive radio and television programs and 41 percent of rural households will have rediffusion speakers. We will make positive efforts to develop Anhui's movie industry.

3. Newspapers and publishing.

In 1995, the publishing industry in Anhui will consume 1.146 billion sheets of paper, or 104 million sheets more than that consumed in 1990. The publication of 1,500 book titles will consume 815 million sheets of paper, and about 20 percent of these books will have second edition, the publication of magazines of 120 titles will consume 75 million sheets of paper, and the publication of 50 newspapers will consume 274 million sheets of paper.

4. Cultural relics, museums, libraries, and archives

By 1995, Anhui will have 1,489 major relic preservation units, or 480 more than the 1990 figure. We will build a number of specialized museums in various localities, intensify the construction of libraries and archives, and improve the operation of organs that manage archives.

5. We will continue to popularize and promote mass cultural activities and consolidate and expand bastions of socialist culture in cities and rural areas. We expect that, by the end of the Eighth Five-Year Plan period, all counties will have libraries and cultural centers and all townships will have cultural stations. We will pay attention to the development of cultural services in old revolutionary bases, impoverished areas, and remote areas.

(3) Ideological construction

We will intensify education on theories about Marxism-Leninism-Mao Zedong Thought and intensify education on patriotism, collectivism, and socialism so as to reaffirm people's socialist conviction. We will build a stronger contingent of political and ideological workers, intensify education on social ethics and vocational ethics, and correct irregularities in various trades and professions.

(4) Socialist democracy and law

1. We will uphold the people's democratic dictatorship and improve the systems governing people's congress and the CPC-led multiparty cooperation and political consultations, heighten people's awareness of the need to

get themselves involved in state affairs, and make the Constitution and other laws play a more authoritative role in political, economic, cultural, and social spheres and in safeguarding people's democratic rights.

2. We will mobilize and count on people in all quarters to deal with public offenses in a comprehensive manner. We will take effective measures to ensure the security of key units, key construction projects, and key departments. We will continue to promote and carry out the system of sharing responsibilities of ensuring public order. We will continue to crack down on all types of felonies and economic crimes.

Shandong Budget Implementation Report

SK2805143092 Jinan DAZHONG RIBAO in Chinese
20 Mar 92 p 2

["Excerpts of report on implementation of the 1991 budget and the 1992 draft budget made by Huang Kehua, director of the Shandong Provincial Financial Department, at the fifth session of the seventh provincial people's congress on 7 March 1992]

[Text]1. Implementation of 1991 Budget

Under the correct leadership of the party Central Committee, the State Council, and the provincial party committee, in 1991, all people of the province persisted in the basic line of the party, further engaged themselves in the improvement of the economic environment, the rectification of the economic order, and the deepening of reform; conscientiously implemented the resolutions adopted at the fourth session of the seventh provincial people's congress, deeply launched the campaign of increasing production, practicing economy, increasing revenues, and reducing expenditures, made gratifying achievements in developing the national economic and social undertakings, and achieved good results in implementing the budget. The province overfulfilled budgeted revenues and ensured expenditures to meet the need for reforms, construction, and development of various undertakings. On the basis of striking a balance between revenues and expenditures in the previous four years, in 1991, we had a slight surplus after balancing the revenues and the expenditures. All this created a good start and made a firm step for realizing the provincial 10-year plan for the national economic and social development and the provincial Eighth Five-Year Plan.

As approved by the provincial people's congress, the 1991 provincial budgeted revenues (the figures for Qingdao City are excluded throughout) totaled 9.524 billion yuan and were readjusted to 9.624 billion yuan. Preliminary statistics showed that the revenues in 1991 reached 10.08 billion yuan, amounting to 104.74 percent of the budget, showing an increase of 11.11 percent over the previous year, and registering an increase of 8.73 percent when calculated in terms of the same standards. The implementation of various revenues were as follows: Industrial and commercial tax revenue reached 8.497

billion yuan, accounting for 103.09 percent of the budgeted figure. Enterprise revenue (including the allocations to make up for the deficits of enterprises) totaled 170 million yuan, accounting for 124.54 percent of the budgeted figure and showing an increase of 8.19 percent. Agricultural taxes totaled 270 million yuan, accounting for 100.09 percent of the budgeted figure and showing an increase of 7.22 percent. The portion of taxes for occupation of cultivated land retained by the province totaled 127 million yuan, accounting for 115.68 percent of the budgeted figure and showing an increase of 4.06 percent. The portion of the funds for key energy and communications projects retained by the province totaled 132 million yuan, accounting for 84.26 percent of the budgeted figure and showing an increase of 17.71 percent. The portion of budgeted regulatory funds retained by the province totaled 155 million yuan, accounting for 89.34 percent of the budgeted figure and showing an increase of 1.80 percent. Funds for elimination of pollution and water resources totaled 213 million yuan, accounting for 111.70 percent of the budgeted figure and showing an increase of 15.49 percent. The revenues from other sources totaled 264 million yuan, accounting for 186.43 percent of the budgeted figure and showing an increase of 21.98 percent.

As approved by the provincial People's Congress, the 1991 budgeted expenditures totaled 12.065 billion yuan and were readjusted to 12.686 billion yuan. Preliminary statistics showed that the expenditures during the year totaled 12.686 billion yuan, accounting for 100 percent of the budgeted figure. Of this, 1.188 billion yuan were carried over to the next year and the expenditures during the year totaled 11.498 billion yuan, an increase of 7.28 percent. Of the expenditures during the year, the expenditure on capital construction was 679 million yuan, an increase of 2.74 percent. The funds for tapping potential and conducting technological transformation totaled 116 million yuan, an increase of 18.78 percent. The urban maintenance charges totaled 653 million yuan, an increase of 5.76 percent. The expenditure on environmental protection and water resources totaled 215 million yuan, an increase of 15.20 percent. The expenses to support production in rural areas and expenses in various agricultural undertakings totaled 1.142 billion yuan, registering an increase of 8.37 percent and showing an increase of 10.17 percent if calculated according to the same standards. The expenditures on culture, education, and public health totaled 3.467 billion yuan, an increase of 9.33 percent. Of this, the expenditure on education totaled 2.120 billion yuan, an increase of 13.35 percent. The expenditures for trial manufacturing of new products, intermediate experiment, and research of key scientific items and the expenditures for scientific undertakings totaled 219 million yuan, an increase of 18.26 percent. The funds to comfort and compensate bereaved families and social relief funds totaled 458 million yuan, an increase of 4.89 percent. Administrative and management expenses totaled 1.091 billion yuan, an increase of 12.94 percent. The expenses by public security organs, procuratorial organs, and people's courts totaled 486

million yuan, an increase of 7.77 percent. Price subsidies totaled 1.154 billion yuan, an increase of 19.61 percent.

In the revenues and expenditures mentioned above, the revenues from the provincial-level departments and sections were 1.409 billion yuan, up 8.61 percent. Of this figure, the industrial and commercial taxes were 903 million yuan, up 10.27 percent; and the revenues from enterprises, 200 million yuan, up 0.65 percent in terms of the same standard. The expenditures on the provincial-level departments and sections were 2.554 billion yuan, up 11.93 percent over the previous year, or up by 8.5 percent if calculated in terms of the same standard. Of this figure, appropriations for capital construction were 679 million yuan, up by 2.74 percent; the funds allocated to enterprises to tap potential and carry out transformation were 58.91 million yuan, up by 63.1 percent; the allocations for aiding rural production and for operating various agricultural undertakings were 129 million yuan, up 15.4 percent; the allocations for operating cultural, educational, and public health undertakings were 645 million yuan, up 11.42 percent; the allocations for operating the three-purpose scientific and technological projects were 125 million yuan, up 16.83 percent; the administrative expenses were 91.56 million yuan, up 11.24 percent; and the appropriations for judicial, procuratorial, and people's court departments were 73.19 million yuan, up 13.61 percent. Revenues of various prefectures and cities were 8.671 billion yuan, up 11.52 percent; and their expenditures, 8.944 billion yuan, up 5.42 percent. According to the provincial unified calculation, in line with the existing financial system, the province was expected to achieve a balance between revenues and expenditures, with a small surplus.

In Qingdao City, which is authorized to undertake independent economic planning, the revenues for 1991 totaled 2.605 billion yuan, up 3.73 percent; and expenditures, 1.347 billion yuan, up 3.21 percent. If deducting the portion which should be handed over to the central authorities according to the system, some deficits were expected to emerge.

The revenues of the whole province, including Qingdao, totaled 12.685 billion yuan, 103.3 percent of the budgeted figure, or up 9.51 percent over the previous year, or up 7.48 percent if calculated in terms of the last year's standard. The expenditures of the whole province totaled 14.129 billion yuan, 99.77 percent of the budgeted figure. Of this figure, the expenditures carried over to the next year were 1.285 billion yuan, and the expenditures used in 1991 were 12.845 billion yuan, up 6.84 percent.

The good results in the implementation of the 1991 financial budget were hard-won. Last year, the situation of low economic efficiency was not changed. In the first half of last year, the situation of revenues was very bad, and in the course of implementation, there again were some new factors for reducing revenues and increasing expenditures of a policy nature. As a result, revenues fell

short of expenditures by more than 300 million yuan, the contradiction in fund supply and demand was very serious, and there were great difficulties in balancing finances. Under this situation, all departments at all levels enhanced morale to overcome all sorts of difficulties, went all out to increase production and practice economy and increase revenues and reduce expenditures, and made arduous endeavors and did a great deal of penetrating and painstaking work to realize a financial balance.

A. We firmly embraced the idea of balance and made concerted efforts to increase revenues and cut expenditures. Party committees and governments at all levels and all departments sought unity in ideas and understanding, gave consideration to the overall situation, always maintained a good mental state, firmly grasped the work of increasing revenues and cutting expenditures, and embraced a firm and unswerving idea of financial balance. In face of numerous difficulties, the provincial party committee and the provincial government always attached importance to the issues of unifying ideas and strengthening confidence and did an arduous and painstaking job from the beginning to the end of last year. In the first several months of last year, there was a landslide in financial revenues for a time. In April, in line with the arrangements of the provincial government, the province issued the "emergency circular on grasping organization of revenues to ensure the fulfillment of the annual budget targets." In May, in line with the demand of the provincial government, the province held an emergency meeting on analysis and control of revenues and held a meeting to exchange the experiences of large and medium-sized enterprises in promoting production to make an analysis of the changes in economic tax sources, to study measures for promoting production and increasing revenues, and to urge departments at all levels to firmly accelerate the pace of increasing revenues.

In line with the actual conditions where the economic results of enterprises were reduced and the revenues were collected at a slow pace, in July, the provincial government convened an (enlarged) meeting to especially study the issues of improving enterprises and increasing economic results and revenues and also to issue "an emergency circular on firmly grasping the work of increasing revenues and reducing expenditures and ensuring a balance between revenues and expenditures." With the deficiency in revenues and expenditures emerging in the course of implementing the budget, in August, the provincial party committee and the provincial government set forth a requirement for "striving to overfulfill the budgeted revenues and ensuring a balance between revenues and expenditures." The attitude was very clear and definite. According to this requirement, the province assigned tasks for overfulfilling budgeted revenues to various localities. In September and November, the province successively convened two emergency meetings attended by financial and tax bureau directors. Principal leading comrades of the

provincial government personally attended the meetings to understand the situation, analyze the financial and economic situation, study measures for increasing revenues and reducing expenditures, unify the thinking of the people, and pool the efforts on all fronts to join the battle of ensuring a balance between revenues and expenditures and to make more contributions to fulfilling the national budget. In December, the province issued "an emergency circular on firmly attending to increasing revenues and reducing expenditures and ensuring a balance between revenues and expenditures." Entrusted by the provincial government, several responsible comrades of the provincial financial department went deep to various localities to jointly study the specific measures for balancing revenues and expenditures. With their efforts, the province did a better job in unifying the thinking of the people on various fronts and helped the people from higher levels downward gain a firm belief in ensuring a balance between revenues and expenditures. People's Congresses and organizations of the Chinese People's Political Consultative Conference at various levels strengthened supervision and guidance, set forth many good opinions and suggestions, and effectively supported the progress of financial and tax work. Various departments and units united and cooperated with one another, vigorously developed production, cultivated financial resources, consciously paid taxes, fulfilled duties, spent money strictly according to budget, positively supported the delivery of taxes and profits to higher authorities, extensively disseminated the good experiences in increasing revenues and reducing expenditures, enthusiastically and sincerely supported the financial and tax work, and made key contributions to realizing the balance between revenues and expenditures.

B. We concentrated energy on developing the economy and increasing economic results, production, and revenues. With the major contradictions that state large and medium-sized enterprises were not vigorous and registered low economic results, last year the provincial party committee and the provincial government worked out a series of measures for deepening reform and improving enterprises and urged all trades and professions to extensively launch the "quality, variety, and efficiency year" campaign and join the battle for increasing economic results. Various levels and various departments conscientiously implemented these measures and appropriately set forth some specific proposals for implementing these measures, such as increasing the enterprise depreciation rate, allowing exemption of enterprises from paying budget regulatory funds and key energy and communications construction funds from the newly added portions of depreciation funds, collecting technological development funds, supplementing working funds, and selling overstocked products at reduced prices. All these measures created fine external conditions for enterprise development. According to the thinking and requirement that science and technology are the first productive forces, financial departments at various levels and various departments cooperated with

one another; collected funds from various fronts to help enterprises readjust the production structure and product mix, conduct technological transformation, and develop new products and high science and technology; and made noticeable achievements in helping enterprises apply scientific and technological methods to tap potential and increase production and economic results.

Meanwhile, the province vigorously grasped the internal management of enterprises; established the responsibility system for the attainment of certain objectives in switching losses to profits; readjusted the major aspects of large money-losing enterprises and key enterprises by signing a contract with all personnel and assigning tasks to them with the division of work; and promoted the development of production and the resurgence of benefits. The 1991 output value of state-run industrial enterprises covered by the local budget throughout the province showed an 8.21 percent increase over 1990 and the 1991 income from sales showed a 16.77 percent increase over 1990. The profits and taxes earned by them for the year showed an 16.86 percent increase over 1990. Of this increase, profits showed an 11.15 percent increase over 1990 and the total losses showed a 20.43 percent decrease over 1990, which had laid a better foundation for fulfilling the tasks of financial revenues. The work of building counties into those whose financial revenues are over 100 million yuan and of having counties that have enjoyed subsidies reduce their subsidies achieved new progress. The province had eight additional counties (county-level cities, districts) whose financial revenues in the year were over 100 million yuan and three additional townships and towns whose annual financial revenues were over 10 million yuan. The number of counties across the province, whose financial revenues are over 100 million yuan, has, to date, reached 24 and that of townships and towns whose financial revenues are 10 million yuan has reached 18. As for the counties that have enjoyed subsidies, various departments continuously supported them in various fields and further enhanced the capability of self-development of these counties.

C. We grasped and ensured the major tasks and did a good job in conducting the financial work. In line with the actual situation in the province's financial and economic work, the provincial people's government put forward at the beginning of 1991 the demand that a balance between financial revenues and expenses should be achieved and grain enterprises should refrain from increasing their losses. Thus, despite the numerous contradictions and serious difficulties, the provincial government gained the initiative in financial work thanks to the very clear-cut work focuses and goals to be attained. In order to maintain a financial balance, departments at all levels upheld the principle of managing taxes in line with the law; strictly enforcing policies; enhancing the collection and management of taxes; grasping not only major tax resources but also scattered taxes; and of vigorously clearing up the debts so that they had ensured a stable increase in financial revenues. The province

recovered 2.48 billion yuan from the tax and profit debts in the year, of which, 1.898 billion yuan were recovered from local tax and profit debts. The province also carried out special inspection over individual tax payers and recovered 130 million yuan. In conducting the mass inspection of tax revenues, financial affairs, and commodity prices, the province discovered cases of discipline violation involving 599 million yuan, of which 288 million yuan should have been handed over to the state; 243 million were recovered. Meanwhile, governments at all levels and various departments brought their financial spending under strict control by upholding the principle of tightening their belt. Many localities assigned the spending limits to units at every level; improved or perfected the managerial method of collecting administrative charges, and adopted many effective measures for bringing the size of staff under control, reducing the staff, curtailing public expenses, and enhancing the management of the public health service. The institutional purchase power at or above the county level throughout the province showed a 1.73 percent increase over 1990 and commodities under special control showed a 1.92 percent increase over 1990, all of which were brought under the target set by the central authorities. In order to deal with the problem where grain departments gave so many credits, the province held a meeting of grain enterprises in May last year to exchange their financial management experience. During the meeting, the typical experiences gained by the counties of Wuli and Caoxian were popularized and the financial managerial work promoted. Various localities enlarged their measures; enforced in an overall way the contracting system in carrying out the unified accounting of total volume of profits or losses caused by grain enterprises; curtailed the fixed price sales of grains and oil-bearing seeds; and scored better effects in enhancing the internal management of grain enterprises, carrying out diversified management, and actively raising funds for making up the losses caused by grain enterprises. In 1991 the province's credits given by grain departments showed a 300 million yuan increase over 1990 but a 250 million yuan decrease over the 1990 figure compared to 1989. There were four cities and prefectures and 61 counties throughout the province, which gave no credits in purchasing grains.

Last year, under the situation in which there was a shortage of financial funds, all levels cut overhead expenses through scientific management and rational arrangements, and guaranteed the needs of various key construction projects and the development of all undertakings in a better manner. The whole province's budgetary funds for agricultural development, plus the agriculture-oriented funds and agricultural development funds (extrabudgetary portions) arranged by financial departments at all levels, and the World Bank loans, totalled 2.25 billion yuan, an increase of 150 million yuan over the previous year. The expenditures on education, science, and technology were also on the rise. The budgetary educational funds, including educational capital construction investment and additional educational

funds for urban and rural areas, totalled 3.188 billion yuan, an increase of 377 million yuan over the previous year.

While seeing the achievements, we should also clear-headedly recognize that there are still many contradictions and problems in our province's financial sectors at present which were prominently manifested in the following: First, the unimproved relations in some major economic sectors, the imperfect mechanism of economic performance, the irrational economic structure, the low management level, and the poor economic efficiency directly restricted the growth of financial revenue. Last year, the profits created by budgetary state industrial enterprises for using every 100 yuan of funds was only 4.03 yuan, a decline of 5.80 percent from 1990, and the profit and tax delivery they created for using every 100 yuan of funds was 12.67 yuan, down 1.09 percent. Second, the contradictions between "feeding the people" and "construction" remained very acute. The financial departments at all levels, the financial units at and below the county level in particular, were mainly occupied in "feeding the people." Many counties had low revenues, and the people relying on "state grain" were increasing in number, making them unable to have money available for developing production and other undertakings, and even to guarantee the normal expenses. Third, defaults in payments by industrial and grain enterprises continued to increase, which was extremely detrimental to financial and economic development. At the end of last year, the deficits on the account books of local budgetary state industrial enterprises reached more than 1 billion yuan, and the invisible deficits, including the expenses which enterprises should draw but had not been drawn and which they should apportion but had not been able to do so, were great; the default in payments by grain enterprises totalled 1.66 billion yuan; and the default in payment for foreign trade enterprises accumulated over the previous years totalled more than 800 million yuan. Fourth, the financial supervision and management by some localities were not strict, and the losses and waste in these localities remained fairly serious. The aforementioned problems merit our great attention which must be solved with great determination.

2. The 1992 Draft Financial Budget

In line with the guidelines of the last year's central working conference and the eighth plenary session of the 13th party Central Committee, and the demands of our province's national economic and social development, the guiding ideology and principles for arranging this year's financial budget are to further emancipate minds, accelerate the reform pace, strive to promote economic development, strengthen financial revenue collection and management, and guarantee a steady increase in financial revenue; persist in keeping expenditures within the limits of income, cut overhead expenses, guarantee the priority needs, strike a balance in financial revenue and expenditures, and serve economic development, reforms, and opening up.

In 1992, the whole province's financial revenue (the figures for Qingdao City are excluded throughout) should be arranged at 10.79 billion yuan according to plan, up 7 percent over the previous year. The main receipts are as follows: Industrial and commercial taxes are 9.354 billion yuan, up 10.08 percent; enterprise receipts (including subsidies for deficits), 132 million yuan, down 21.94 percent, or a drop of 0.14 percent if calculated in terms of comparable standards; agricultural tax, 269 million yuan; agricultural and forestry special product tax, 95 million yuan, which is basically the same as the previous year; tax for use of cultivated land, 110 million yuan, a decline of 13.55 percent; the funds for energy and communications key construction projects shared by the localities, 107 million yuan, down 18.98 percent; budgetary regulatory funds shared by the localities, 163 million yuan, up 4.54 percent; and waste disposal charges and water resources charges, 240 yuan, up 12.26 percent.

The additional revenue for education is 154 million yuan, a 7.87 percent increase over 1991. The revenue of other items is 134 million yuan, a 41.36 percent decrease over 1991.

The province's arrangement for financial spending in 1992 is 13.439 billion yuan, of which, 12.251 billion yuan was spent for the year, a 6.35 percent increase over 1991. Major items in the arrangement are as follows. The spending for capital construction is 679 million yuan, being equal to the 1991 figure. Funds to be used for supporting enterprises to conduct technical renovations are 128 million yuan, a 10.65 percent increase over 1991. Spending set for the support of rural production and various agricultural undertakings is 1.241 billion yuan, an 8.62 percent increase over 1991. Funds for urban maintenance are 693 million yuan, a 6.09 percent increase over 1991. Spending for environmental protection and water resources is 233 million yuan, an 8.66 percent increase over 1991. Expenses for the cultural, educational, and public health undertakings are 3.737 billion yuan, a 7.77 percent increase over 1991. Of these expenses, that of education is 2.287 billion yuan, a 7.86 percent increase over 1991. Expenses for the three scientific and technological projects and for scientific undertakings are 246 million yuan, a 12.55 percent increase over 1991. Expenses for pensions and social relief are 486 million yuan, a 6.16 percent increase over 1991. Expenses for administrative management are 1.158 billion yuan, a 6.86 percent increase over 1991. Spending for public security offices, procuratorial organs, and courts is 518 million yuan, a 6.58 percent increase over 1991. Expenses for the subsidies of various price hikes are 1.154 billion yuan, being equal to the 1991 figure. The arrangement for reserve funds is 150 million yuan, a 22 million yuan decrease over 1991.

Of the aforementioned budget of revenues and expenses, revenues organized by the provincial level organs are 1.377 billion yuan, a 2.26 percent decrease and a 0.26 percent increase calculated in terms of comparable items over 1991. Of these revenues, those of industrial and

commercial taxes are 941 million yuan, a 4.23 percent increase over 1991; and those offered by enterprises are 147 million yuan, a 26.35 percent decrease or a 10.59 percent decrease calculated in terms of same items over 1991. According to the calculation made in line with the existing financial system, the arrangement for the spending at the provincial level within the year is 2.438 billion yuan, a 5.18 percent increase over 1991. Of this arrangement, that for capital construction is 460 million yuan, being equal to the 1991 figure; that for supporting rural production and various agricultural undertakings is 371 million yuan, a 19.29 percent increase over 1991; that for the undertakings of culture, education, and public health is 735 million yuan, a 6.25 percent increase over 1991; that for the three scientific and technological projects and scientific undertakings is 133 million yuan, a 12.26 percent increase over 1991; that for the expenses of administrative management is 112 million yuan, a 4.66 percent increase over 1991; that for the expenses of public security offices, procuratorial organs, and courts is 76.37 million yuan, a 6.26 percent increase over 1991, and that for reserve funds is 70 million yuan, being equal to the 1991 figure.

The revenue financial arrangement made by Qingdao city that formulates its financial plan independently is 2.68 billion yuan, a 2.92 percent increase over 1991, and its spending financial arrangement is 1.42 billion yuan, a 5.41 percent increase over 1991.

The province's revenue budget, including that of Qingdao city, is 13.471 billion yuan, a 6.2 percent increase over 1991, and its spending budget, also including that of Qingdao city, is 13.671 billion yuan, a 6.43 percent increase over 1991.

All of the abovementioned budgets represent the general outline of the province's revenue and spending plans and there is a balance among them, which is calculated in line with the existing financial system. The provincial people's government urges local governments at all levels to earnestly compile their budgets in line with the targets set in the province's financial revenue and spending plans and by bearing their local reality in their minds and following the principles of living within their means and seeking a balance independently. Their budgets should be submitted to the session of the People's Congresses at all levels for consideration and approval.

In view of the arrangement for the financial budgets, it is very possible for the province to suffer the most strained financial affairs ever. Although the province has taken into consideration in its revenue budget the factors of increasing production, economic results, and income as well as of enhancing collection and management and taxes, the contradiction between financial demands and supplies is still very prominent because of the increased expenses caused by enforcing policies, such as upgraded state subsidies for length of service by personnel among units in charge of administrative undertakings.

When calculated according to the revenue plan and the current system, the local financial capacity increases 710 million yuan over the preceding year. When 150 million yuan of funds for special use are deducted and 80 million yuan of export drawbacks are newly added to the province, the financial capacity only increases by 480 million yuan. But there are still great gaps between revenues and expenditures with the increase of more than 800 million yuan of expenses in individual payment according to policies and in the normal expansion of staff. Therefore, in arranging the budgeted expenditures, we try everything possible to increase the input to agriculture, education, and science and technology. The expenses in other aspects increase slightly or remain unchanged. Some ordinary expenditures are reduced. There will certainly be great difficulties in implementing such an arrangement, so we should understand fully the grim financial situation and the arduous financial task. The provincial party committee and the provincial government set forth measures and requirements for deepening reform, increasing revenues, and reducing expenditures. Thus, all fronts should make arduous efforts and conscientiously organize forces to implement these measures and requirements one after another.

3. Keep Forging Ahead, Advance Despite Difficulties, and Strive To Fulfill the 1992 Budget

There are many financial difficulties. Old problems have not been solved yet, and new contradictions are comparatively prominent. Under such a situation, we should use short-term interests as a base but also set our eyes on the long-term interests, further emancipate the mind, keep forging ahead, advance despite difficulties, speed up the pace of reform, seek ways out in the course of developing the economy and deepening reform, mobilize the forces of all fronts to join the general battle of "increasing production, practicing economy, increasing revenues, and reducing expenditures", and ensure the fulfillment of the budget and a balance between revenues and expenditures.

A. We should deepen reform and extricate ourselves from the financial strained circumstances as soon as possible. Now, fundamentally speaking, several prominent financial problems crop up because reform is not coordinated and the system is not appropriate. We should also rely on deepening reform to solve the problems cropping up in the course of reform. We should expand the extent of reform to improve enterprises and solve financial problems this year. To this end, we should emphatically attend to the work in four aspects. First, the problem concerning the deficits of foreign trade and grain enterprises. We have made preliminary achievements in reforming the foreign trade system. We should continue to strengthen management and gradually solve the problems concerning the debts accumulated by foreign trade enterprises in past years. The debts owed by grain enterprises have accumulated. We must be determined to solve this problem as soon as possible. This year we should start from transforming the internal management mechanism of grain enterprises, speed up

the pace of reform, continue to carry out the method of assuming sole responsibility for profits or deficits based on contracts, popularize Tianjin's experience in separating the management of grain at negotiated prices from the management of grain at parity prices, mobilize the enterprises' enthusiasm for strengthening management, increasing production, and reducing expenditures, increase the capacity for self-consumption, self-accumulation, and self-development, and strive to clear up the debts owed by grain enterprises within five years. Second, the problem concerning deficits of enterprises, particularly the factors that may bring about deficits to enterprises. At the time of reforming the labor and personnel affairs systems, we should further improve the distribution system, speed up the reform of enterprise internal mechanism, smash "one big pot and three iron objects," and set up effective encouragement and restriction mechanisms. We should improve the system of responsibility for enterprise management, establish contracted risk-taking funds, experiment with the method of taking risk to contract for the management, and ensure that the contract involves not only profits but also deficits. We should improve the method of linking wages with economic results, ensure that wage bills and economic results rise or fall at the same time, and be sure to link wage bills with the increase in economic results, the reduction of economic results, or enterprise deficits so that enterprises and staff and workers will become much interested in production and management, strengthen management, stress accounting, turn deficits into profits, conscientiously carry out an accounting system, realistically solve the problems concerning replacing management by contract, and prevent the continuous occurrence of the problems that may possibly bring about deficits to enterprises. Simultaneously, according to different actual conditions, we should adopt effective policies and measures for gradually clearing up the accumulated debts and eliminating the factors that may possibly bring about deficits. Third, there are too many persons eating "state grain."

Revenues have increased substantially over the past few years, but finance departments at all levels, especially those at the county level, still cannot rid themselves of difficulties. An important reason for this is their unwieldy personnel and inordinately large increase in expenses, which exceeds the increase in their revenues. Compared with 1978, the province's 1991 administrative expense was 5.8 times greater, which was much higher than the growth in the total expenditure of the same period. Financial difficulties will not be resolved if "people who eat are more than those who produce." It is a must to streamline departments and reduce the personnel who eat the "state grain." We have great potential for this work. Laiwu, Changyi, and other localities have explored ways in this work. They have streamlined and changed the functions of government departments, developed economic entities to provide coordinated service to urban and rural areas, and changed the practice of eating the "state grain" into the practice of creating revenues to gradually reduce financial burdens.

Such methods should be actively applied, and all trades and professions and all quarters should render positive support. Meanwhile, we should encourage institutions where conditions permit to operate as enterprises and expand their own strength while improving service so that they will support and develop themselves and resolve their financial difficulties by developing business. Fourth, the problem of overspending in free medical service. This year, we should conduct reform of the free medical service system provincewide, adopt the method of making hospitals the major units to manage medical funds while allowing various quarters to participate in the management comprehensively and linking medical funds properly with personal income, and, on the premise that medical service to cadres, staff members, and workers is ensured, resolve the inordinately large growth in the expense on free medical service, and save the expense for use in the development of public health. We should carry out in-depth and meticulous propaganda, education, and ideological and political work to ensure the smooth progress of the reform.

B. We should greatly develop the economy and improve efficiency to expand the foundation for finance. Without sustained economic development, steady financial growth would be out of the question. The basic way to resolve financial difficulties lies in great economic development. We should seize the current favorable opportunity to accelerate economic development and strive to achieve a new level in every few years. Focusing on developing good-quality, low-consumption, high-yield, and high-efficient agriculture, we should raise funds from various channels and at various levels to increase investment, improve the conditions for production, develop agricultural science and technology, gradually improve the socialized service system, and make the rural economy flourish in all sectors. We should continue efforts to put in place the series of policy measures formulated by the central and the provincial authorities for improving enterprises, create favorable conditions to urge and help enterprises to apply these policies fully and successfully, conscientiously eliminate arbitrary collection of fares, fines, and donations that increase the burden on enterprises, and further improve the external environment of enterprises. We should broaden our field of vision, open up wide channels for collecting funds, give full play to the role of finance and credit, provide funds with or without compensation, distribute, manage, and use the funds in a unified manner, support the development of high technology and the technological advance of enterprises on a priority basis, support the adjustment of industrial structure, product mix, and the organizational structure of enterprises, develop enterprise groups, and improve the quality of the economy as a whole. Meanwhile, we should lend and circulate the use of funds to help enterprises break "debt chains" and meet their temporary need for funds to ensure the normal progress of production and operation. We should go deep into the grass-roots levels to analyze and study specific issues and exert efforts to improve management and efficiency. This year, we should particularly

strengthen the financial management of state enterprises and the collective enterprises at and above the county level, improve economic accounting, enforce the financial system strictly, strive to reduce material consumption and managerial expense, and increase the profit rate of funds and sales.

On the basis of investigation and study, we should particularly sum up, exchange, and popularize the financial management experiences of state and collective enterprises, enabling them to improve the management level. We should pay close attention to ending deficits and increasing profits, continue to implement the responsibility system of attaining a certain target for ending deficits and increasing profits, make a list of major profit-making and money-losing enterprises, and adopt the methods of assigning personnel to contract some households and signing letters of responsibility, and guarantee the fulfillment of the annual tasks of reducing the range of deficits by 10 percent, the volume of deficits by 20 percent, and the workshop working funds and the management funds of industrial enterprises by 10 percent.

C. We should continue to grasp the work of creating counties whose revenue exceeds 100 million yuan, and helping counties receiving government subsidies to stop taking subsidies, and promote financial and economic comprehensive development in the whole province. Successfully creating counties with financial revenues exceeding 100 million yuan and helping counties receiving government subsidies to stop taking them are of vital importance to our province's overall economic development and constitute a strategic work. When the number of counties with a financial revenue of more than 100 million yuan increases, it will be possible for us to have greater energy to support counties receiving subsidies. When the difficulties of these counties cannot be solved, the whole province's economic development will be affected. During recent years, particularly last year, the provincial government held meetings on developing counties with revenue exceeding 100 million yuan, formulated development plans and specific policy measures to greatly boost the enthusiasm of some counties with good economic bases in vying to be counties with financial revenue exceeding 100 million yuan, and achieved noticeable results in this respect; these subsidized counties worked energetically, made arduous efforts, and continued to expand their financial and economic strength. However, because of the increasing policy-related expenditures, the growth of revenue could not offset the growth of expenditures, and the difficulties remained very great. This year, we should expand measures and strive to make new breakthroughs in these two aspects. Counties with good economic bases should formulate development plans and clear objectives and strive to enter a new stage. The province and various cities and prefectures should continue to give emphasis to supporting counties, cities, and districts with a financial revenue of more than 70 million yuan, support the development of high and new technology and support

key financial resources enterprises with marketable products, high management level, and good economic efficiency in playing a "leading" role; and enable them to influence and bring along the whole province's economy to enter a higher stage. This year, we should strive to increase six counties each with financial revenue exceeding 100 million yuan to make the total number reach 30. Regarding these financially-subsidized counties, the provincial government has called on relevant departments to further implement the provincial development plan and the supportive policy measures, support them in various aspects to display their advantages, develop county and township economy in line with the state industrial policies, and gradually enhance the county financial strength. This year we will select several counties with great financial difficulties but capable leading bodies, organize departments concerned to support them, to sum up experience, and use them to bring along the work of the whole area, accelerate the pace of helping financially-subsidized counties end poverty and stop taking subsidies, and promote common development in the whole province's finance and economy.

D. We should continue to lead an austere life and strictly control financial expenditures. This year, there are many contradictions and great difficulties in the financial sector. This requires us to further promote the fine traditions of arduous struggle, hard work, and frugality, continue to lead an austere life, persist in keeping expenditures within the limits of income, make careful calculations, and spend strictly in accordance with the budgets. It is necessary to resolutely stop making additional expenditures recklessly and check all phenomena of extravagance and waste. This year we should particularly grasp well four aspects of work. First, we should strictly implement the system of examining and approving the convocation of meetings and assuming responsibility over working funds and drastically reduce meetings.

For meetings of various kinds, we should carry out the management method of "fixing the places, the number of persons, the number of times, and standards" to ensure a 30-percent decrease in the provincial meeting expenses from last year. Second, we should vigorously control the increases in staff members and expenditures of administrative organs and institutions. In line with the guidelines of the central authorities' decision on freezing the authorized size of party, government, and mass organs as well as institutions, this year administrative organs should try their best to employ the least number of few staff members as possible, institutions should strictly control their staff increases, and the newly established institutions should be self-sufficient in expenses in order to curb the newly increased personnel who "live off state finance" by one-half from that of a normal year. Third, we should strictly control the institutional purchases. This year administrative organs and institutions are all forbidden to purchase new installations, and the institutional purchases of enterprises should also be put under strict control, on the prerequisite of ensuring the

demands of production and scientific research in order to keep the increase margin of the purchases of the institutions at or above the county level below 5 percent. Fourth, we should firmly and unwaveringly grasp the implementation of the central authorities' circular on banning the practice of hosting banquets and sending gifts with public funds and should exercise strict control over all kinds of commendatory meetings, annual meetings, opening ceremonies, school and plant founding anniversaries as well as all sorts of "holidays." Those which should be reduced should be reduced, those which should be canceled should be canceled, and those which are necessary should be held with the approval of pertinent departments so that the funds saved can be spent on the urgently needed items. Other fields should also practice economy on the one hand and successfully run their undertakings on the other hand in line with the spirit of being industrious and thrifty in managing themselves.

E. We should persistently manage money matters according to laws and strengthen supervision over and management of money to prevent the state interests from being encroached. To consolidate the achievements scored in the economic rectification, we must continue to strengthen the supervision over and the management of finances, taxes, audits, and financial affairs and must persistently manage money affairs, tax collection, and audits according to laws in order to plug all sorts of loopholes and prevent the state revenues from running off. This year, we plan to examine the implementation of tax policies in order to screen, rectify, and correct all cases of allowing tax exemptions and reductions and fixing quotas of product tax, value added tax, and business tax beyond one's powers. We should strictly perform contracts. The benefits which should be given to enterprises for fulfilling the contracted quotas should be given in full. Those enterprises that fail to fulfill the contracted quotas should be resolutely forced to make up for the deficiency with their private funds so that we can truly solve the problem of assuming responsibility for only profits but not losses. We should conscientiously implement the "regulations on management of state budget," strengthen the management of budget, and get rid of such unlawful behavior like wantonly allowing revenue reductions, expenditure increases, refund items, fund establishment, and dismemberment of revenues and expenditures so that we can prevent the state interests from being encroached. We should further perfect the systems concerning management of extra-budgetary funds and should give guidance to and exercise supervision over such funds through the methods of opening specialized accounts, examining and approving the use of such funds, and establishing enterprise and trade foundations in order to exploit the due role of extra-budgetary funds. We should strengthen the management of state property, attend to registration and appraisal of property right, promote the reasonable flow of idle property, and improve the operation efficiency of property in order to ensure the value and the added value of state property. We should strictly implement the various

stipulations on building a clean government to strictly check such unhealthy trends as using public funds to host banquets, give presents, and take trips. Finance, tax, and financial affairs departments should set an example in observing laws and discipline and in strictly enforcing financial and economic discipline and should attend to the finances, taxes, and financial affairs with a high degree of the sense of political responsibility.

The financial tasks for 1992 are arduous and heavy, but there are many favorable conditions for fulfilling the tasks. The political situation throughout the province is stable, the people's minds are stable, the economy is under sustained and stable development, and the overall situation is better and better, thus laying a solid foundation for achieving success in financial work. We should enhance morale, reinforce confidence, strengthen unity, pioneer the road of advance, and work hard for satisfactorily fulfilling the 1992 financial budget.

Shandong Economic Development Report

SK2505014092 Jinan DAZHONG RIBAO in Chinese
19 Mar 92 pp 2, 3

[Report on the implementation of the 1991 plan for the provincial economic and social development and the draft 1992 plan, delivered by Wang Yuyan, chairman of the provincial planning commission, at the fifth session of the seventh provincial people's congress on 7 March]

[Text] Fellow deputies:

Entrusted by the provincial government, I deliver a report on the implementation of the 1991 plan for the provincial economic and social development and on the arrangements and opinions concerning the draft 1992 plan to the current session for examination and discussion.

1. Implementation of the 1991 Plan

In 1991, under the correct leadership of the CPC Central Committee, the State Council, and the provincial party committee, in line with the plan for national economic and social development approved by the fourth session of the seventh provincial people's congress, the province as a whole conscientiously implemented various policies and measures concerning strengthening agriculture, improving efficiency, expanding export and increasing foreign exchange revenues, and developing the tertiary industry. Thanks to the people's hard work throughout the province, new achievements were achieved in various economic and social undertakings, and the entire economic situation developed in a good direction. All major targets were fulfilled or overfulfilled. In 1991, the province's GNP was 156.6 billion yuan, 102.6 percent of plan, or an increase of 9.8 percent over the 1990 figure, and the national income was 136 billion yuan, 105.2 percent of plan, or an increase of 10.4 percent over the 1990 figure.

A comprehensive bumper harvest was reaped in agriculture, and rural economy flourished more. In 1991 the total agricultural output value was 76.2 billion yuan, 108.2 percent of plan, or an increase of 12.7 percent over the 1990 figure. Output of major agricultural products went up by a large margin. The total grain output was 39.169 million tons, 113.5 percent of plan, or 3.469 million tons more than the 1990 figure; cotton output was 1.351 million tons, 112.6 percent of the planned figure, or 323,000 tons more than the 1990 figure; and peanut output was 2.32 million tons, 110.5 percent of the planned figure, or 213,000 tons more than the 1990 figure. An increase was registered in forestry, animal husbandry, sideline production, and fishery. Meat output was 2.614 million tons, 124.5 percent of plan, or 398,000 tons more than the 1990 figure; output of aquatic products was 1.981 million tons, 116.5 percent of plan, or 305,000 tons more than the 1990 figure; fruit output was 2.837 million tons, 94.6 percent of plan, or 357,000 tons more than the 1990 figure; and the afforested land was 2.508 million mu, 100.3 percent of plan, or 658,000 mu more than the 1990 figure. A positive trend of development was maintained in township and town enterprises. The total output value of industry, commerce, construction, and transport was 136.8 billion yuan, an increase of 21.9 percent over the previous year. Of this, the total output value of the township and village industries was 114.5 billion yuan, up by 26.8 percent. In 1991, the province made a cash investment of 1.7 billion yuan in agriculture, some 100 million yuan more than the planned figure. The infrastructure of agriculture was strengthened, and the conditions for production improved further.

Industrial production went up steadily and economic efficiency improved gradually. In 1991, the total industrial output value was 259.2 billion yuan, 106.5 percent of plan, or an increase of 17.1 percent over the 1990 figure. Of this, the output value of the industry at or above the township level was 182 billion yuan, 105.2 percent of plan, or an increase of 13.7 percent over the previous year. Light and heavy industries developed in coordination, the increase speed of the state-owned industry was accelerated, and a relatively big increase was made in energy, transportation, major raw materials industries and in production of agriculture-use products and readily marketable consumer goods. Output of raw coal was 60.539 million tons, up 1 percent over the previous year; electricity, 49.59 billion kwh hours, up by 11.1 percent; the volume of goods transport, 440 million tons, up by 6.1 percent; the total volume of posts and telecommunications, 1.04 billion yuan, up 33 percent; rolled steel, 1.738 million tons, up by 12.8 percent; chemical fertilizer, 1.433 million tons, up by 0.2 percent; and pesticide, 17,000 tons, up by 18.2 percent, all fulfilling or overfulfilling the planned figures. Results were achieved in the measures for restricting production and reducing the stockpile of goods. The production of excessively supplied products, such as yarn, cigarettes, sewing machines, cassette recorders, canned food, and metal cutting machine tools, was curbed at varying

degrees. Obvious results were achieved in the year's activity of stressing quality, variety, and efficiency. In 1991, the province developed 5,026 new products, with the commission rate reaching 84.5 percent. The steady improvement rate of product quality was 94.4 percent, the output value rate of fine-quality products was 23.6 percent, the sales revenues of the industrial enterprises at or above the township level which exercised independent accounting was 152.9 billion yuan, up by 19 percent, and the profits and taxes realized by these enterprises increased by 18.5 percent. In addition, the per-capita productivity went up by 7.4 percent, and the amount of deficits of unprofitable enterprises dropped by 9.4 percent.

The tertiary industry developed more rapidly, markets were thriving, prices were stable, and people's income increased. Importance was attached to tertiary industry development, construction of commodity circulation facilities was expedited, and the scale of markets expanded. The year's increased value of tertiary industry totaled 29.9 billion yuan, up 5 percent. Investment by state units in building commodity circulation and service facilities grew by 86.5 percent. Commercial and service facilities totaling more than 1 million square meters in floor space were built throughout the province. Commodity supplies were sufficient and people's purchases stable. The volume of retail sales came to 66.06 billion yuan, accounting for 107.2 percent of the plan and increasing by 15.8 percent. The general retail price index grew by 4.7 percent, lower than the planned 6 percent. Urban people's per-capita cost of living income was 1,366 yuan, up 11.2 percent from the preceding year; and peasants' per-capita net income 764 yuan, up 12.3 percent. When allowing for price rises, the increase rates were 4.7 and 9.4 percent, respectively.

We opened wider to the outside world continuously and achieved new progress in the export-oriented economy. The annual volume of exports totaled \$3.83 billion, accounting for 104.1 percent of the target and increasing by 10.2 percent over the preceding year. Thanks to reform of the foreign trade system, foreign trade enterprises enhanced their vigor, strengthened their management, reduced the cost of foreign exchange earning and expenses, and improved their economic efficiency. This plus the adjustment of the exchange rate and overall planning helped foreign trade enterprises put an end to deficits and earn some profits. The trend in using foreign capital was good, and construction of economic and technological development zones was accelerated. The province signed 1,187 new contracts for using foreign capital. The contracted amount of foreign capital to be used was \$1.023 billion, up 59 percent from the preceding year; and the actual amount of foreign capital used was \$468 million, up 37 percent.

Revenues and expenditures remained balanced, and the use of credit became more rational. The annual revenues totaled 12.685 billion yuan, accounting for 103.7 percent of the target and increasing by 9.5 percent over the preceding year; and the annual expenditures were 12.845

billion yuan, up 6.84 percent. Monetary departments made active efforts to organize credit funds and optimized the use of loans to support industrial production, the purchases of farm and sideline products, key construction projects, and technical transformation on a priority basis, thus facilitating economic development. The year-end balance of savings deposits totaled 117.1 billion yuan, up 23.64 billion yuan from the figure calculated early that year, of which 72.15 billion yuan were urban and rural people's savings deposits, up 14.6 billion yuan. The balance of loans totaled 142.35 billion yuan, up 25.22 billion. Both savings deposits and loans met the targets.

Investment in fixed assets increased substantially, and key construction and technical transformation projects were intensified. The annual investment in fixed assets made by the entire society was 39.55 billion yuan, up 17.9 percent from the preceding year, of which 30.19 billion yuan were made by local authorities, up 21.6 percent. In fixed asset investment, 6.61 billion yuan were made in the capital construction of local state units, up 35.2 percent; and 4.73 billion yuan in the technical transformation of local state units, up 37.1 percent. The investment in large and medium-sized projects was equivalent to 101.4 percent of the target. New production capacity included 4.03 million tons of crude oil extraction, 1.38 million tons of raw coal mining, 1,025 million kilowatts of power generation, 270,000 tons of urea, 1,165 km of road mileage, 4,600 long-distance telecommunications circuits, 200,000 urban telephone lines, 250,000 tons of water for cities a day, and 200,000 cubic meters of urban gas supply. Technical transformation was accelerated, and the investment in energy conservation, increase of product variety, improvement of product quality, and treatment of waste gas, waste water, and industrial residue rose by 62.2 percent from the preceding year. A total of 3,319 million square meters of commercial houses in urban areas were built, up 37.4 percent from the preceding year.

Science and technology, education, and other social undertakings were further developed. A total of 2,488 major scientific and technological findings were made during the year, an increase of 376 over the previous year. Of this, 175 attained international advanced levels, 1,503 attained national advanced levels, 30 won state scientific and technological progress awards, 14 won state invention awards, 440 won provincial scientific and technological progress awards, and 158 major scientific and technological findings were popularized and applied. The construction of five advance, new-tech development zones in Weihai, Jinan, Qingdao, Yantai, and Zaozhuang was in full swing. Investment in capital construction totaled 640 million yuan, various kinds of facilities occupying an area of more than 90,000 square meters were newly built, 71 advanced and new-tech findings were imported, and 212 advanced and new-tech products were developed. We may say that last year, we made more scientific and technological findings. Educational undertakings were newly developed in the course

of improvement. Ordinary institutions of higher learning enrolled 107,000 students, an increase of 1,300 students over the previous year; enrollment in secondary vocational and technical schools reached 536,000 students, an increase of 23,000 students; and the primary school student attendance rate increased by 0.23 percent. Medical and public health conditions were improved. The province had 165,000 hospital sick beds, an increase of 5,000 over the previous year. There were 309,000 medical technicians, an increase of 2,000 over the preceding year. Sports activities were extensively launched for the masses. The quality of specialized sports teams was improved. Provincial athletes made better achievements at major competitions at home and abroad. The population natural growth rate reached 8.86 per thousand, lower than the planned target of 11.5 per thousand.

Fellow deputies:

The year 1991 was the first year to implement the Eighth Five-Year Plan. We made greater achievements in economic construction and social development. People's livelihoods were improved. The stable political and social situation was further consolidated. We made a good start in implementing the Eighth Five-Year Plan. This fully proved that the principles and policies stipulated by the party Central Committee and the State Council are accurate, and a series of measures adopted by the provincial party committee and the provincial government conform to the reality of Shandong. All this resulted from the arduous struggle made by the people under the guidance of the governments at various levels who were supervised and supported by the People's Congresses and their Standing Committees. Over the past year, we continued to persistently link central authorities' principles and policies with the specific reality of Shandong; maintained the continuity and stability of policies; fully mobilized all positive factors; and mobilized all people of the province to fight for realizing the general tasks covered in the Eighth Five-Year Plan and the 10-year plan. The provincial economic development and efficiency growth rate should be slightly higher than national levels, the provincial population natural growth rate should slightly be lower than the national level, and the overall economic level should be elevated to a new high.

We continued to coordinate speed with efficiency and to link production with market; closely linked economic development with technological progress; made positive efforts to register a faster economic growth rate; concentrated efforts on grasping market, structural readjustment, and efficiency; devoted ourselves to increasing the quality of the overall national economy; persistently promoted development through reform and opening up; positively and actively solved the contradictions and problems affecting economic development, focusing on improving the economic environment and enhancing the economic vitality; persistently found out where we lagged behind in achievements; paid attention to improving weak links; promoted a coordinate development of economic and social undertakings; persisted in

the ideological line of seeking truth from facts; combined the fine mental state of not being afraid of difficulties and being reluctant to move backward with the work style of respecting science and doing work in a down-to-earth manner; made concerted efforts to firmly grasp the implementation of various policies and promote fulfillment of various tasks; persistently paid attention to both material and spiritual civilizations; adhered to the four cardinal principles; persistently carried out reform and opening up policies; firmly grasped the socialist orientation; and helped all people of the province foster a firm belief and determination to take the road of socialism with Chinese characteristics. These practices were key factors for comprehensively fulfilling the 1991 plan and making good achievements in various spheres.

The year 1991 was also the last year of improvement and rectification. Through three years of rectification, the contradictions of imbalance between supply and demand was noticeably alleviated, inflation was effectively brought under control, the economy was basically restored to normal, market supply was sufficient, economic order remarkably improved, and basic industries and infrastructure facilities were strengthened. Economic, political, and social stability laid a foundation for further deepening reform and expanding opening up. However, many problems still remained in our economic life, and some deep-rooted contradictions remained unresolved in particular, which were mainly manifested in the following:

First, although we achieved certain progress in the readjustment of production set-up, product mix, and enterprise organizational structure, an unbalanced structure has remained a prominent problem in the current economic situation. The infrastructure facilities were weak, the level of the processing industry was low, the rate of market occupation of the province's products declined, the development of tertiary industry remained stagnant, the circulation of goods was inactive, service facilities were inadequate, the consciousness of opening up was not strong, and the development of the export-oriented industry was slow, all of which have remained problems which we must solve in the near future.

Second, economic efficiency was poor. Though we paid attention to economic efficiency over the past years and exerted much effort in this aspect, the profit-tax rate of funds and the profit rate of funds of all industrial enterprises exercising independent accounting at and above the township level only showed an increase of 0.1 and 0.2 percentage points over the previous year, and that of local budgetary state industrial enterprises dropped by 0.14 and 0.25 percentage points from the previous year because of the restrictive factors of the overall environment, operational mechanism, and internal management. The upturn of economic efficiency was only a restoration to a great extent, and although the problems of stockpiled goods, payment defaults, and enterprise deficits that disrupted economic development improved, no fundamental solutions were made. The funds tied up by finished products produced

by all industrial enterprises exercising independent accounting at and above the township level was as high as 20.9 billion yuan, and the deficit range of local budgetary industrial enterprises was as high as 18.1 percent. Many enterprises remained high in consumption, low in efficiency, erratic in product quality, and weak in market competitiveness.

Third, the macroeconomic regulation and control system marked by an integration of the planned economy and market regulation was not established, and the role of economic levers was not fully displayed. There were problems of duplication of construction projects, ill-considered development, lack of regulation and control, as well as inadequacy in the vitality of production, construction, circulation and social work. All these problems can only be solved by deepening reform.

Fourth, the enterprise internal operational mechanism and the market system were imperfect, the distribution of national income mostly went to individuals, and the phenomena of "one big common pot, and guaranteed jobs, positions and wages," as well as egalitarianism remained common.

It is very difficult to completely avoid the aforementioned problems, some of which emerged in the process of changing the product economy into a planned commodity economy. There were objective reasons in the macroeconomic environmental aspect and subjective reasons in our understanding and work. We will conscientiously sum up experiences and adopt practical measures to solve them in our practical work.

2. The Guiding Ideology and Major Tasks of Arrangements for 1992 Plan

According to CPC Central Committee and State Council directives and the demands set in the Eighth Five-Year Plan, our province will continue to implement the basic line of "one center and two basic points" in conducting 1992's economic work. They will strive to achieve better national economic development and social projects by emphasizing structure readjustment and by increasing economic results. General demands are to consolidate and develop the results scored in improving the economic environment and rectifying economic order; to further promote reform; to broaden opening up; to vigorously grasp structural readjustment and accelerate technical progress in line with the task of upgrading the whole quality of the national economy; and to launch an overall battle of increasing economic results to promote the sustained, stable, and harmonious development of the national economy.

A good job should be done in fulfilling the following six tasks in 1992: First, efforts should be made to continuously consolidate and enhance agriculture's basic position; to adopt every way and means to stabilize the output of grains, cotton, and oil-bearing seeds; to vigorously upgrade the capability of comprehensive production; to enforce the special policy in the agricultural investment in water conservancy works; and by

regarding scientific and technological progress as a vanguard, to enliven the farm commodities circulation to promote the fine-quality, low-consumption, and agriculture's high-yield-and-benefit development. Second, efforts should be made to actively push structural readjustment forward, while continuously enhancing basic industries and infrastructures, to accelerate the reorganization, reform, and improvement of processing industries, and by regarding the structural readjustment of products as a breakthrough, to emphatically enforce the special policy among products with high technical content, high additional value, high marketability, and a high capability to earn foreign exchange. Third, a good job should be done in boosting large and medium-sized enterprises, vigorously grasping the implementation of policies, shifting their managerial mechanism, doing away with the "one big pot and three irons", further reinforcing the vitality of development, and in consolidating the socialist public ownership. Fourth, efforts should be made to vigorously grasp technical progress, by upholding a high starting point and a high level, to accelerate the pace of encouraging traditional industries to conduct technical reform, and to emphatically enforce the special policy for high and new technologies. Fifth, efforts should be made to vigorously develop the tertiary industry, to emphatically and successfully grasp the circulation, to accelerate the construction of facilities and the improvement of markets, and to reinforce the function of socialized service systems in both urban and rural areas. Sixth, efforts should be made to further broaden opening up, to vigorously increase foreign exchange earned from exports, and to actively utilize foreign funds and advanced technologies to accelerate the development of the export-oriented economy.

By proceeding from the demand and possibility of economic development and taking the relationship between the 10-year program and the Eighth Five-Year Plan into consideration, major arrangements for the targets of 1992 plan are as follows:

The gross national product will show a 7 percent increase over 1991.

The national income will show a 6.5 percent increase over 1991.

The total agricultural output value will show a 3.5 percent increase over 1991.

The sales income of industrial products will show a 13 percent increase over 1991.

The additional value of tertiary industry will show an 8 percent increase over 1991.

The financial revenues will show a 6.2 percent increase over 1991 and a 7 percent increase by excluding those of Qingdao city.

The investment amount in local fixed assets will reach 24.77 billion yuan, a 1.56 billion yuan increase over the plan formulated at the beginning of 1991.

The total export volume will show a 10 percent increase over 1991.

Total retail sales will show a 13 percent increase over 1991.

The index of retail price increases will be brought under 6 percent.

The natural population growth will be brought under 11.5 per thousand.

3. Major Contents and Targets Set in 1992 Plan

A. To combat disasters and reap a bumper harvest, agriculture should be focused on accelerating the building of basic facilities. Motivated by the goal of improving people's living standards, we should depend on policies, science & technology, investment, and circulation to rapidly change from conventional agriculture to modernized agriculture to reap a bumper agricultural harvest again this year. The 1992 plan calls for grain sowing acreage to reach 121 million mu and gross grain output to reach 36.5 million tons; cotton sowing acreage, 21 million mu, and gross cotton output, 1.2 million tons; peanut sowing acreage, 11 million mu, and gross peanut output, 2.15 million tons; afforested area, 2.5 million mu; meat output, 2.65 million tons; and aquatic product output, 2.05 million tons. Last year saw an increase of 12.7 percent in agricultural production, a rare bumper harvest. Last year also saw a bumper harvest in all grain, cotton, and oil-bearing crops. The increase margin was big and the base figure high. The 1992 crops plan is based on a regular year's situation, and thus the output targets for grain, cotton, and oil-bearing crops are all lower than the real figures of last year. In implementing the plan, we should strive to overfulfill these targets, increase output in all of forestry, animal husbandry, sideline production, and fishery and make the agriculture reach the average increase rate set in the Eighth Five-Year Plan. The following are major measures to attain these targets:

We should vigorously develop an agriculture characterized by high quality, low consumption, high output, and high efficiency. We should further enhance the use of agricultural resources, labor productivity, input and output, and the commodity rate of agricultural products. We should positively popularize advanced and applicable technology for increasing production; enhance the multiple crop index; establish and perfect the base to breed high-yield, fine-quality, and good-strain crops; develop water-saving irrigation methods; and expand farmland application of plastic films, compound feed, and model cultivation method. We should continue to readjust and optimize agricultural structure; vigorously develop animal husbandry, forest and fruit industry, and aquatic product industry, under the prerequisite of stabilizing the acreage sown to grain, cotton, and oil-bearing crops, and guide development of export-oriented agriculture in a planned way. We should firmly grasp processing, transformation, and value increase of agricultural products; and vigorously develop trade regarding packaging, stay-freshness, processing, and storage and transport. We should develop deep processing for a number of agricultural sideline products. Provincial authorities will release 15 million yuan from

the capital construction fund to support development of projects applying new and advanced agricultural technology.

We should firmly grasp the construction of basic water conservancy facilities. The plan calls for building 60 large and medium-sized water conservancy projects; accelerating the harnessing of Huang He, Huai He, and Hai He Rivers; eliminating danger of and reinforcing large and medium-sized reservoirs; and building water conservancy projects focusing on soil amelioration and river harnessing. The plan also calls for rapidly dredging the bottleneck sections of Tuhai He, New Dehui He, and Zhushui He Rivers; accelerating building of the project to divert water of Yishui He River to the east and the south; opening up Hanzhuang Channel, and solving the problem of flood outlets of the southern province's four lakes. The plan also calls for strengthening the repair and reinforcement of dangerous sections of the grand Huang He Dam and accelerating reinforcement of 20 large and medium-sized dangerous reservoirs. The provincial budget calls for an investment of 115.5 million yuan in building water conservancy facilities, an increase of 50 million yuan over last year's. In addition, great efforts should be made to gain additional state investment in water conservancy projects and mobilize all societal forces to raise a water conservancy construction fund through diverse channels.

We should continue to carry out the comprehensive development of agriculture. The provincial plan sets the agricultural investment at 1.8 billion yuan, an increase of 200 million yuan over last year. The increased portion of this investment will be primarily used to build water conservancy facilities. We should continue to strengthen the Huang-Huai-Hai Plain comprehensive development, the Huang He Delta comprehensive development, and five other major comprehensive development projects. A total of 1.01 billion yuan should be earmarked for agricultural development, accounting for 56.1 percent of the total agricultural investment. We should rapidly organize forces to carry out the strategy of building the "Shandong on the sea," pay attention to developing inshore breeding, strive to increase per-unit output, accelerate development of deep-sea fishing and ocean-going transportation, and vigorously develop new marine industries. We should build 40 high-quality and high-efficiency agricultural commodity bases and agricultural sideline product export bases. We should firmly grasp construction of 100 townships and towns whose average per-mu grain output reaches 1,000 kg each and should increase 2 million mu of good farmland each with an annual grain output of 1,000 kg.

We should increase the production and supply of agricultural production means. The amount arranged for agrochemicals is 17,000 tons and the production of fine quality and highly effective agrochemicals which are now in short supply should be increased. The allocated output for fertilizer is 1.462 million tons, high density fertilizer comprises 549,000 tons of that total, a 180,000 ton increase over 1991. The allocated amount of foreign

exchange for importing materials for agricultural production is \$314 million, a \$59 million increase over 1991. We should continuously support the production of products used for farming and improve the method of placing the means of agricultural production under exclusive state control. A good job should be done in building power stations for farming; increasing the power supply for farming; and ensuring the demands of combating drought, draining flooded fields, and of developing the rural economy.

We should continuously deepen the reform in rural areas. Efforts should be made to stabilize the management responsibility system by respecting the signing of contracts with households, which are linked to their output; to improve the double managerial system in which the centralized management is combined with decentralized management; to actively develop the socialized service system in rural areas; to enhance the construction of circulation facilities; and to further improve various service organizations and establish or improve the scientific and technological service network by conducting paid services and opening economic entities. The province plans to build a large and comprehensive market of farm products in Jinan city. Other cities also plan to build their comprehensive and specialized farm markets. The province plans to build a large number of wholesale markets specializing in grain and oil-bearing seed trades and will strive to build grain storage facilities with a capacity of 500,000 tons.

B. We should promote the structural readjustment and increase the industrial benefit. The general demand is to vigorously make technical progress and expand the markets by regarding reform and opening up as a motive force, to promote the readjustment among the structure of industries, products, and enterprise organizations, to maintain a stable increase in production; and to strive to achieve greater improvement in economic results. The total industrial output value established in the plan will show a 12 percent increase over 1991. Of this increase, that at or above the township level will be 10 percent. The increase in sales income will be 13 percent and that in earned profits and taxes will be 8 percent. The turnover days of circulation funds will be accelerated by five days. The increase of per capita productivity will be 5 percent and the rate of stabilizing and upgrading the quality of products will reach more than 90 percent. The target for raw coal output is set for 61 million tons; that for the output of crude oil, 33.6 million tons; that for the output of power industry, 52.5 billion kwh; that for the output of steel products, 1.75 million tons, of which the proportion of fine-quality steel products will show an over 70 percent increase over 1991; that for raw salt output, 4.5 million tons; that for soda ash output, 800,000 tons; that for cement output, 20 million tons, as well as the adoption of adequate measures to curtail the production of small cement plants; and that for chemical fiber output, 79,000 tons, and yarn and cloth output will be adequately brought under control. The increase in communications and freight transport volume will be 8

percent and total output for postal and telecommunications projects will be 18.8 percent.

First, we should concentrate our financial and material resources on successfully readjusting the product mix. Except for continuously doing a good job in conducting the production and construction of basic industries and infrastructures, we should emphasize the readjustment and reform of processing industries in line with the target of making end products our strong suit and turn out high quality products and appropriate varieties to meet the masses' demands. We should improve product quality, grade, and standard. In the textile industry, we should proceed from its comprehensive nature and coordination, and its sensibility to market demands, and give consideration to and make overall arrangements for spinning, weaving, dyeing, warping, and tailoring. Now our province has an excess capability in cotton textiles, the old cotton textile bases in eastern Shandong should put aside their old production system and engage in intensive processing by removing their out-dated equipment and curtailing their yarn production capability. Those in western Shandong will no longer increase their yarn production capability and should chiefly do a good job in consolidating their goods stock and optimizing and reorganizing their product varieties so as to reach the economic standardization, to upgrade their products' quality, and to increase their economic results.

In chemical fiber industry, we should focus on developing intensively processed serial products such as polyester fiber, acrylic fiber, polyamide fiber, and polypropylene fiber. In light industry, we should mainly pay attention to the transformation of some key products such as watches, papermaking, beer, toys, ceramics for daily use, and household electric appliances. We should pay attention to reorganization of key enterprises, expand the economic scale of quality and brand-name products, increase product designs and varieties, raise product grades, set up export enterprises, and expand the market coverage.

To use 300,000 tons of ethylene and produce shaving boards, we should pay attention to development and intensive-processing of furniture and plastic products and raise the level and capacity of daily industry, building industry, and interior furnishing installations industry.

In machinery industry, we should focus on producing engineering machines, digitally controlled precision machine tools, and superior basic parts; further developing brand-name and quality products; producing more products in short supply; promoting cooperation; and expanding exports. In electronics industry, we should follow the path of importing, digesting, assimilating, and developing; continue to grasp the production of components, consumer goods, and products for investments; and accelerate the pace of applying electronic technology to transform traditional industries.

We should realistically strengthen leadership over structural readjustment, conscientiously devise plans, offer views for implementation in line with conditions of various trades, set targets for the fulfillment of a certain part of the plans, and separate the tasks of all enterprises. We should persist in combining work guidance with technological transformation, development of high and new-tech industries, and the export-oriented economy. We should increase input for structural readjustment through various channels. The provincial authorities will set aside 300 million yuan from the capital construction funds and use it to develop "products of high technology, additional value, foreign exchange earnings, and economic efficiency." Provincial authorities will arrange a certain proportion of new loans for structural readjustment, organize and develop a batch of enterprise groups with fairly strong economic strength, promote the rational flow of essential production factors, and rationalize the industrial structure.

Second, we should actively open up and develop markets and be guided by them in organizing and arranging industrial production. We should actively support marketable products, increase production, and expand sales. Regarding products whose sales are just average, we should exert efforts to improve their designs and varieties and to upgrade and update them.

As for unsalable goods, we should continue to strictly restrict their production, promote sales, and adopt methods of linking reduction of stockpiled goods with issuance of loans for technological transformation. We should control the issuance of loans used as circulation funds and reduce the allocation of raw materials and promote production of marketable products. It is necessary to support development of new products that need further development, strive to put them into production within a short period of time, open up markets in the urban and rural areas as well as markets outside the province and in foreign countries. We should fully display the role of state and cooperative commercial and material enterprises as the main channels, encourage them to establish retail sales spots in rural areas and market towns, induce rural collectives and individuals to enter the circulation sphere through various forms, support industrial and commercial enterprises to establish sales windows outside the province, expand sales channels, and urge large and medium-sized enterprises and the eastern coastal areas to open up international markets with greater energy.

Third, we should strive to improve large and medium-sized state enterprises. We should exert conscientious efforts to enforce the enterprise law and various policy measures, further improve the external environment for enterprises, and particularly do a good job in transforming their operational mechanism. We should accelerate the reform of the personnel, labor, and distribution systems, break with the common big pot, iron rice bowl, iron wage, and iron position, promote or demote cadres and employ or dismiss workers as required, fix workers' income according to economic results, and assign

workers to posts according to their skills and work efficiency so that enterprises will truly become commodity producers and dealers who carry out management independently, are responsible for their own profits and losses, and have the ability for developing and regulating themselves. We should further strengthen enterprise management, enhance the sense of quality and quality supervision, establish necessary systems for fixing quotas, standards, and measures, actively adopt international standards and foreign advanced standards, strictly enforce the laws on accounting and on statistics, and conscientiously strengthen audit supervision to ensure the continuous appreciation of state and collective property. We should make continuous efforts to solve the problem of arbitrary collection of fares, fines, and donations from and arbitrary criticism of enterprises to provide a relaxed environment for enterprise reform.

Fourth, we should actively give guidance to the restructuring of township industries. Township industries should be both developed and improved, with the focus on optimizing the structure, improving the quality, and raising efficiency, and should be developed based on a high standard according to industrial policy. Areas in the western part of the province should make the best use of their resource advantage to further expand their development scale and launch the projects that have good economic returns and high starting points so as to improve in the development process. Coastal areas in the eastern part of the province where a considerable scale has been established should sell more of their products in the world market, actively develop the export-oriented economy, and strive for greater development in the three types of foreign-funded enterprises and the "three forms of import-processing and compensation trade." Township enterprises which produce products that have high technology content and high additional value, that earn a great amount of foreign exchange, and that create high economic efficiency should be treated the same way we treat large enterprises in the supplies of funds, energy resources, and raw materials. Through information consultation, technical service, and personnel training, we should strengthen service and guidance to township enterprises and lead them to develop toward a still higher level.

C. We should further facilitate lateral economic ties to promote regional economic and technological exchange and cooperation. In line with the principle of "opening up the eastern areas, developing the western areas, and promoting the cooperation between the eastern and the western areas to achieve common development," the province properly adjusted the geographical distribution of agriculture and the energy, communications, and raw material industries in the past few years, and the mutual support of the eastern and the western areas of the province promoted the coordinated development of the economy of the entire province. In the future, we should continue to expand their cooperation and realistically coordinate their advantages in technology, funds, and

resources. The western areas of the province should make the best use of their abundant farm and mineral products and their better conditions in water resources to improve their energy, communications, and raw material industries and actively develop the processing industry related to them. The advanced technology and managerial expertise of the eastern areas of the province should be actively spread to the western areas. We should improve and promote the preferential policies for the association and cooperation between the eastern and western areas of the province, eliminate the barriers between different localities and different departments and the restrictions of "no change in three aspects," and encourage the eastern areas to establish plants, develop resources, and build raw material bases in the western areas. We should encourage the western areas to set up windows in the coastal open areas, introduce investment from abroad and establish lateral ties at home, and open wider to the outside world. Good projects jointly developed by the eastern and western areas should be emphasized and be actively supported after they are appraised. We should continue the aid-the-poor work and arrange as much as possible the projects that require less investment and turn out faster results to help poverty-stricken areas eliminate poverty and achieve prosperity as soon as possible.

D. We should readjust investment structure and strengthen management of fixed assets investment. At the beginning of this year, the state plan set the fixed assets investment throughout the province at 24.77 billion yuan, an increase of 6.7 percent over the figure set at the beginning of last year. Of this, the investment in state-owned units was 9.37 billion yuan; collective units, 7.7 billion yuan; and individual units, 7.7 billion yuan. For investment in state-owned units, investment in capital construction was 2.82 billion yuan; technological transformation, 4.3 billion yuan; commodity houses, 1.55 billion yuan; and in other fields, 700 million yuan, all showing an increase over last year.

In terms of fixed assets investment, we should continue to follow the principle of initiating fewer new projects and carrying out more renovation projects. We should readjust investment structure and optimize the direction of investment in line with the state industrial policy. In terms of capital construction, we should concentrate efforts on ensuring key projects, projects under continued construction, and projects that will go into operation this year. We should strengthen the construction of agriculture, traffic, energy, and major raw materials industries and should guarantee them in line with their importance, focusing on water conservancy projects, circulation facilities, and new high-tech industries. We should firmly grasp the construction of key projects, should complete as quickly as possible construction of the sixth-phase project of Huangtai Power Plant, the first-phase project of Hualu Power Plant, and the ending-phase project of Liaocheng and Linyi power plants. We should accelerate construction of Heze Power Plant, Weifang Power Plant, Weihai Power Plant, the power

plant of Shengli Oil Field, and the second-phase project of Hualu Power Plant. We should strive to begin the construction of the third-phase project of Longkou Power Plant and the third-phase project of Zouxian Power Plant, with the newly added installed capacity reaching 400,000 kilowatts this year.

We should accelerate construction of Jinan-Qingdao Highway, Taochun-Weihai Railway, and Jinan Airport to ensure they open on schedule. We should complete the laying of the Shandong section of the Beijing-Nanjing optical fiber cable and the construction of the Yantai-Dalian microwave communications line and the Qingdao satellite ground reception station. We should strive to complete the construction of the Qingdao-Yantai-Weihai, the Jinan-Dezhou, and the Jining-Heze digital microwave communications lines. We should attend to the pre-phase preparatory projects for the Jinan-Qingdao optical fiber cable. We should build new 3,675 long-distance telephone lines, 10,000 long-distance direct-dialing exchanges, and 200,000 local telephone exchange channels. We should strive to win state approval to begin as early as possible construction of Shandong Compound Fertilizer Plant. At the same time, we should attend to the pre-phase preparatory projects for the 140,000-ton ethylene project, Rizhao Wood Pulp Plant, and some other major projects. In carrying out technological transformation, we should persist in a high starting point; try every possible means to adopt advanced technology; and emphatically make arrangements to develop new products; save energy and cut consumption; and improve quality, comprehensive utilization, pollution control, and export-oriented items. We should also resolutely reduce the projects that produce low-level products and simply aim at expanding capacities.

We should strengthen and improve planned management of fixed assets investment. We should actually bring the total scale of investment under control, achieve overall balance, and avoid duplicated and blind construction. We should strictly control the trades producing products in excessive supply and the newly built items and products. For the trades of cotton textile, beer, papermaking, tire, minor plastics, minor chemical fertilizer, minor cement, minor oil refinery, and minor chemical fiber, we should primarily renovate and enhance, rather than expand, their production capacities. For the trades producing products in excessive supply, power to examine and approve both their capital construction and technological transformation items should be concentrated to the central and provincial authorities. We should further strengthen the pre-phase appraisal for construction of various projects and actually conduct a market survey and project appraisal to ensure that after projects are completed, their products will sell and yield good benefits. In arranging for projects, we should make sufficient investment without leaving any loopholes. We should strengthen supervision over and management of the investment and budgetary estimate of projects and should make greater efforts to invite and ask for bids to

save construction investment. We should continue to carry out the project responsibility system to ensure the on-schedule completion and commission of projects.

In conducting capital construction, we should pay special attention to treasuring the land and protecting the environment. Efforts should be made to uphold the principle of approving land utilization in line with the plan, to give management authority to every level over land utilization for various construction projects, and to bring the total amount of land utilization under strict control. The allotment for the province's plan for construction projects will be less than 320,000 mu and that of territory development will be 420,000 mu. Efforts should be made to continuously and vigorously contain the sources of pollution and to vigorously organize the cities of Jinan, Zibo, Taian, and Weihai to build in line with the plan their sewage treatment plants and other projects of environmental protection. We should also upgrade the rate of handling gas and waste water discharged by industrial enterprises, which should reach 69 percent; and that of consolidating the industrial solid waste in a comprehensive way, which should reach 75.5 percent.

E. We should expand opening up and vigorously promote the development of the export-oriented economy. Efforts should be made to further emancipate minds, to enhance the sense of opening the entire province to the outside world, and to take a larger step in opening to the outside world. The target plan for the total value of exports is \$4.21 billion, a 10 percent increase over 1991. Foreign exchange spending is \$1.3 billion, a 26.2 percent increase over the 1991 plan. In using foreign exchange, we should emphasize making possible the development of high and new technologies and the import of technologies and fine stocks. We should also strictly restrict the export of domestically funded and made consumer goods, general machinery, and electrical products.

We should continuously consolidate the results scored in the reform in foreign trade systems and make efforts to increase export foreign exchange. In 1992 the province will relax restrictions on prefectures and counties in managing their foreign trade enterprises in the fields of finance, organizational set-up, staff size, and wages; in having their economic and trade administrative organs carry out the joining of economics and trade; and in conducting the direct delivery and accounting of export commodity supplies. Through reform, we should bring into play the enthusiasm of governments at all levels in developing foreign trade and enhance the vitality of foreign trade enterprises. Efforts should be made to further improve the contract system and to emphatically do a good job in enforcing the internal responsibility system of foreign trade companies. We should actively try a brokerage system in foreign trade and export and enforce various brokerage methods of foreign trade between domestic and foreign trade companies, between industry and trade, and between commerce and trade. We should strive to persuade the state to authorize more

enterprise groups and large and medium-sized enterprises to exercise the import and export right independently. Efforts should be made to implement the strategy of winning the market with fine quality, to vigorously improve the systems of export production, and to foster and expand more resources of export commodities. We should continuously arrange special funds for readjusting the export product mix and building export commodity bases and make arrangements for a large number of industrial projects of turning out products with a high technical standard and the capability of earning more foreign exchange and of turning out high-yielding farm products. Efforts should be made to enhance the comprehensive management over the business order of exports and to realistically deal with the problems of contending for commodity resources and attracting customers arbitrarily as well as of raising the price for easy purchase and lowering the price for easy sales. We should continuously consolidate and develop the markets of traditional exports; vigorously open new international markets; and gradually establish the international network of information, sale promotion, technological import, and of economic cooperation. Efforts should be made to enhance the establishment of economic and trade offices stationed in foreign countries, to develop overseas enterprises, and to further broaden the economic and trade channels.

We should actively and effectively utilize foreign funds. While actively striving to attract the loans of international financial organizations and foreign country governments, we should extensively carry out cooperation with international conglomerations, large foreign corporations, and transnational companies by regarding as a main task the key construction projects and key technical renovation projects set in the Eighth Five-Year Plan; attract more direct investments from foreign firms; and place our work emphasis on using foreign investments on agriculture projects, energy resources, communications, telecommunications, and key raw materials. We should also integrate endeavors to boost large and medium-sized enterprises with that of utilizing foreign funds to carry out the grafting of advanced technologies and select a large number of enterprises to adopt multiple measures to introduce advanced technologies and equipment and to conduct technical renovation so as to enable a large number of out-dated enterprises to enter international markets with a brand-new outlook.

We should fully display the advantages of township enterprises of having a flexible mechanism, take coastal cities as a forward position and the peninsula open zone as the supporter, promote the development of township enterprises step by step, make them spread from the east to the west, and achieve new breakthroughs in the development of joint, cooperative and foreign-funded enterprises, and the "three forms of import processing and compensation trade." It is necessary to further run the economic and technological development zones well, fully display their window and exemplary role, strengthen management over foreign-funded enterprises,

firmly grasp the work of creating foreign exchange through export of the joint, cooperatively and foreign-funded enterprises and their operational efficiency, and supervise enterprises to strictly fulfill contracts and observe rules and regulations and do business in line with law. We should accelerate the building of communications and telecommunications facilities, improve the investment environment, make good use of all policies, simplify administration, delegate powers, enhance work efficiency, do a good job in the departmental coordination and service, and induce more foreign businessmen to invest in Shandong.

F. We should increase financial revenue and reduce expenditure, and make flexible and good use of credit funds. Under the planned arrangements, the financial revenue should be 13.47 billion yuan, up 6.2 percent, and the financial expenditure should be 13.67 billion yuan, up 6.4 percent. We should actively cultivate and expand financial resources, raise the profit-making level of enterprises, strictly observe financial and tax laws and regulations, strengthen tax collection and management, realistically and strictly manage financial expenditure, control the growth of administrative funds and personnel of organs, institutions and units, actively cut meetings and strictly control the institutional purchasing power.

We should fully display the role of macroeconomic regulation and control of banking units. The year-end savings deposits should reach 140 billion yuan, an increase of 23 billion yuan over the beginning of the year; the total rural savings deposits of the urban and rural residents will be 85.2 billion yuan, up 13 billion yuan; the total amount of loans by the end of the year will be 167.5 billion yuan, an increase of 25.2 percent. It is necessary to organize savings deposits, increase the sources of credit funds, continue to clear up "debt chains," do a good job in restricting the production of products in excess supply and cutting stockpiled goods, invigorate the funds in reserve, and accelerate the circulation of funds. We should issue bonds according to plan, collect funds for essential production and construction, relatively readjust the credit structure in accordance with the needs of structural readjustment, give consideration to increasing agricultural loans and loans for large and medium-sized enterprises, and support foreign export trade and the needs of funds for the production of marketable products.

G. We should emphasize invigorating circulation, and accelerate the building of a socialized service system in urban areas.

In line with the demand of the Eighth Five-Year Plan, we should further relax policy restrictions, increase input, and strive for greater progress in building the socialized service system in urban areas. Under the planned arrangements, the additional value of the tertiary industry should show an increase of 8 percent, and the total retail sales of commodities should increase by 13 percent. It is necessary to further clear the commodity

circulation channels and accelerate the building of circulation facilities. Under the plan, we will use 500 million yuan of bank loans, which will be mainly used for the development of the tertiary industry. Large commercial network projects will be specially arranged by provincial authorities, and enthusiastic efforts will be made to build commercial networks covering 200,000 square meters. Small commercial networks and facilities that are great in number and large in coverage should be run mainly by the social sectors. However, we must guard against the building of office buildings, auditoriums and hotels in the name of building circulation and service facilities. Efforts should be made to further improve the market system, accelerate the development of all sorts of social service work and tourism, extensively open up employment avenues, arrange jobs for 500,000 people through various forms, and keep the unemployment rate under 3 percent.

H. We should greatly develop science and technology, education, and other various social projects. We should further enhance the concept that "science and technology are the primary productive forces" and devote greater efforts to achieving scientific and technological progress. We plan to implement 1,394 scientific and technological projects, of which 652 are projects on scientific and technological research, 134 are projects for the "torch plan," 400 are projects for the "spark plan," and 208 are projects on the dissemination and application of major scientific and technological achievements. We should arrange 35 projects on tackling major scientific and technological difficulties and key industrial experiments and 1,300 industrial technological development projects. We should organize personnel to tackle the key technological difficulties in production and focus on the research and development concerning the selection and cultivation of fine seeds, the quality improvement and production increase of farming and breeding, the transportation, storage preservation, and processing of farm and sideline products, new technology and new materials, the integration of machinery and electronic industries, the comprehensive utilization of resources, and reduction of energy and material consumption. We should make conscientious efforts to implement the "soaring" plan, select 50 pilot enterprises to conduct experiments on the transformation of traditional industries with high and new technology, build up the base for the growth of high- and new-tech industries, and accelerate the construction of high- and new-tech development zones. We should achieve success in a number of intermediate experiments and industrial experimental projects to facilitate the application of scientific and technological achievements to production. The budgetary investment in scientific and technological projects and capital construction of the province is arranged at 30 million yuan, up 81.8 percent from last year. Of the total, 7 million yuan will be used in tackling major scientific and technological difficulties, and 246 million yuan in trial production of new products, intermediate experiments, subsidizing major scientific research, and operation of scientific and technological undertakings, up

12.55 percent. To support the development of science and technology, special investment of 30 million yuan is arranged for key industrial experimental projects, up 20 million yuan from last year. Cities, prefectures, and various departments should also exert active efforts to increase scientific and technological investment.

In education, we should focus on replenishing and rectifying schools of higher learning, adjust their structure of disciplines, and expand the enrollment for the specialties urgently needed in society. According to the plan, regular schools of higher learning of the province will enroll 26,900 students, up 1.5 percent. In vocational and technical education, we should continue to expand the road for running schools and the scope of service. Ordinary secondary specialized schools will enroll 48,000 students, up 1.7 percent. In adult education, we should hold multiform training on practical techniques and on-the-job training to improve the scientific and technological and cultural quality of workers, peasants, and grass-roots cadres. In elementary education, we should continue to accelerate the implementation of the nine-year compulsory education. The budgetary investment in the capital construction for education is allocated at 93.88 million yuan, an increase of 1 million yuan, and education funds at 2.287 billion yuan, an increase of 7.86 percent.

We should actively support the development of public health, culture, and sports. We should consolidate and develop the rural three-level networks of health units and strive to change the shortage of doctors and medicines. We should step up the expansion and construction of the supporting projects of key hospitals, such as the provincial hospital, the No. 2 hospital of the Shandong Medical College, the Qianfoshan Hospital, and the hospital affiliated to the provincial college of traditional Chinese medicine. The province plans to increase hospital beds by 4,510. We should manage well libraries, cultural centers, museums, archives, and other cultural units and complete the construction of the provincial museum within this year. We should support enterprises, institutions, and individuals to build mass cultural facilities. We should further improve gymnasiums and stadiums, complete the construction of the indoor track and field training center of the provincial physical culture and sports technique institute, and attempt to start the construction of the provincial sports science and technology training center. We should intensify construction of television satellite stations to increase radio and television coverage.

In terms of family planning work, we should continue to carry out the population quota responsibility system and implement various family planning policies and measures to actually control the natural population growth rate at 11.5 per thousand.

Along with the development of economic and social projects, we should gradually improve the people's living standard. The plan calls for an 8 percent increase in the

total payroll of staff and workers in urban areas and for a 6 percent increase in the per capita net income of peasants.

4. Deepening the Reform of the Planning System and Changing the Functions of Planning Work

This year is critical to deepening reform and expanding opening up. To keep abreast of the demands on deepening rural and urban reform, on invigorating large and medium-sized state enterprises in particular, planning work must follow the basic party line and must be geared at further emancipating the mind, renewing concepts, changing functions, and exploring the practical forms of organically combining planned economy with market regulation. Planning work must also be geared at gradually establishing the management system with guidance planning as a key, improving plan management methods, establishing a scientific and effective system of keeping total demand and supply in balance, and strengthening macroeconomic regulation and control as well as balance in order to make a new step in planning system reform.

A. We should reduce the items subject to mandatory planning in order to create a relaxed environment for large and medium-sized state enterprises. As for a number of projects whose supply outstrips demand or whose supply and demand are in basic balance, including a part of the means of production and daily necessities, their quotas subject to mandatory planning should be gradually reduced or abolished. This year, in line with the state unified arrangements, we should reduce the mandatory targets for soda ash, caustic soda, sulphuric acid, pig iron, tires, and cement and should emphatically reduce mandatory quotas assigned to those large and medium-sized enterprises whose products are most under unified state distribution. As for the chemical fiber pulp, cloth, silk, synthetic detergent, soap, and matches which are under the province's control, their production targets which are now mandatory should be changed to targets guided by market regulation.

Enterprises may arrange production of these products and fix these products' prices independently in line with market demand and supply. Those which have a large market demand should be produced in large quantities, those which have a small market demand should be produced in small quantities, and those which have no market demand should have their resources transferred to other products as soon as possible.

B. We should reduce the quantity and variety of the goods under state unified distribution. Except for the 100,000 tons of rolled steel earmarked for providing disaster relief, all the rolled steel distributed under the province's mandatory planning should be subject to guidance planning. The mandatory coal production quotas assigned to the provincial-run coal mines should be reduced by 20 percent, and the distribution amount of the coal mines whose products are under state-unified distribution should also be reduced accordingly. For the

large and medium-sized state enterprises which are newly put into production, no allocation and transfer quotas will be assigned in general. As for those products which are to be distributed in a unified way, the method of fixing the amount and direction of distribution but not the prices should be carried out. We should improve the framework concerning goods supply under the state unified distribution, reduce the links of circulation, and expand the scale and proportion of the products which are directly distributed to fixed units in fixed amounts. For highly demanded major goods, we should guide and encourage the production and demand sides to establish stable purchase-marketing relations. We should enthusiastically cultivate and develop the goods circulation market and urge enterprises to organize supply and marketing of their products in line with market demand.

C. We should delegate to lower levels the power to manage investment in fixed assets. We should fix the power to screen and approve investment according to the industrial policy and establish corresponding managerial systems. The power originally held by the province to screen and approve construction projects in which the investment is below the stipulated norm and which conform to industrial policy should be delegated to city and prefectural planning commissions. The province should manage well the investment in fixed assets mainly by issuing investment licenses, controlling the construction of new projects, exercising the necessary veto power, and strengthening examination and supervision. The power to screen and approve projects related to the "three forms of import-processing and compensation trade" should all be delegated to counties and the provincial foreign trade company or industrial company. Regarding the power to screen and approve the establishment of the three types of foreign-funded enterprises in coastal economic open zones, the province should entrust cities and prefectures and cities and prefectures should entrust counties to issue licenses if they have already delegated such power to cities and prefectures or counties.

D. In coordination with the endeavor to eliminate the common big pot, iron rice bowl, iron wage, and iron position, we should transform the internal mechanism of

enterprises and improve the planning and management of their employment and wages. On the premise that the total wage of an enterprise is managed well, we should reduce its mandatory plan for employment, grant it autonomy in employment, and allow it to decide for itself the employment of personnel except for retired and demobilized soldiers, soldiers transferred to civilian jobs, and graduates of secondary schools, colleges, and universities, who should be arranged in a unified manner. We should improve the system for examining, approving, and managing wages according to economic performance, grant enterprises the autonomy in their distribution system, and allow them to decide by themselves the framework and measures for distributing their wages and bonuses as long as they do not exceed ratified total wages.

E. We should change functions and achieve success in coordination and service. The provincial party committee and government urge party and government organs at all levels to change functions and gear their work to the needs of grass-roots levels to render good service. As the departments charged with overall responsibilities, planning departments should be the first to effect the change. To change work methods, they should, on the one hand, particularly handle well the relationship between major economic sectors, improve the layout of productive forces and construction of key projects, and study and formulate important economic and technological policies. On the other hand, they should enhance the sense of service and let regulation, control, and management be manifest in service. They should reduce direct management and use economic levers and policy guidance more to exercise indirect management successfully. Work that can be done by lower levels should be entrusted to them as much as possible, and market regulation should be developed as much as possible in the areas where market forces can play a greater role so that the enthusiasm of all quarters can be fully boosted, and enterprises can be pushed to the market as soon as possible. Planning departments should strive to improve their own quality, step up efforts to remain honest and diligent in performing duties, change work styles, conduct in-depth investigations and study, take the initiative in resolving the difficulties and misgivings of grass-roots units, and make sure that all plans are fulfilled.

CENTRAL-SOUTH REGION

QIUSHI on Development of Hainan Special Zone

HK2103015792 Beijing QIUSHI in Chinese No 3
1 Feb 92, pp 25-28

[Article by Deng Hongxun (6772 7703 0521), Hainan Provincial CPC Committee Secretary. "Carry Forward Construction of Hainan Special Economic Zone by Proceeding from Actual Conditions"]

[Text] I

Hainan is a large treasure island in China. It has its special superior conditions. In temperature, the island is a large hothouse, suitable to the growth of tropical crops. In resources, it is plentiful in living things, mine products, aquatic products, tropical crops, tourist facilities and land and carries great potential in them. In geography, it has a long coastline, wide maritime areas and excellent ports, being located in the Asiatic heartland and in the passageway of the Pacific Ocean and Indian Ocean and thus possessing convenient maritime transportation facilities. and in external relations it has over 2 million Chinese of the Jing nationality, Overseas Chinese and Hong Kong, Macao, and Taiwan compatriots. In addition, it has plentiful labor resources and the cost of labor is cheap. However, for a long time Hainan has not displayed the full power of such rich resources. The principal reason for this is the lack of a motive force to convert these potential superiorities into actual superiorities.

In 1988, the Central Government formally decided to convert Hainan into a province and a special economic zone [SEZ], thus turning a new page in Hainan's development and construction enterprise. Since then, Hainan has entered the frontline in China's opening up to the outside world. Further expanding the opening up to the outside world and speedily, as soon as possible, performing a good job in the construction of the Hainan SEZ constitute the demand for changing Hainan's backward countenance and also the demand for the building up of socialism with Chinese characteristics.

In the strategic maneuvers in China's opening up to the outside world, the Hainan SEZ carries a significance and special features different from those of other special zones. First, the central government's policy in regard to the provision to Hainan of funds, material resources, and talented personnel is much broader than that applicable to other special zones, and, besides, Hainan has been given much larger decisionmaking power. Second, the area of opening up to the outside world has been much larger. Hainan Island is different from the other SEZ's of the city type. It is a special region and province covering an area of some 33,900 sq km. Undertaking all-around opening up of this newly established province and speedily developing the economies of localities of various types in the whole province within a short period of time will provide new experiences to China in the enterprise of opening up to the outside world. Third,

compared with Taiwan, Hainan, as China's second largest island, has more superior points in natural conditions. If we can perform a good job in expanding the opening up and construction of the large Hainan special region, convert it from the originally a backward region into an economically relatively developed region and thereby further manifest the superiority of the socialist system, then this will be of profound significance in the completion of China's gigantic enterprise of national unification.

In the current international situation, opening up to the outside world not only is China's principal road to building up its national strength but also the natural selection of the majority of developing countries in their endeavor for development. In particular, in recent years, the neighboring Indochina Peninsula has been gradually converting battlefields into commercial markets. This has posed a serious challenge to Hainan and has brought forth a much higher demand for Hainan's further opening up to the outside world. Hence, be it in consideration of the situation as a whole or proceeding from Hainan's reality, Hainan's further opening up to the outside world should be the main topic of the work in Hainan.

II

Having determined the main topic, the next most important job is to determine the road to the realization of this main objective. After seriously examining and summing up the experiences in actual practice and fully analyzing the actual conditions in the province, we shall detail below the line of thought on further doing a good job in opening up Hainan to the outside world.

(1) Creating a good investment environment to promote the speedier development of Hainan's economy.

Hainan's construction requires the introduction of a large amount of internal and external capital funds. To attract domestic and foreign merchants to invest in Hainan, it is necessary to create for them a good and benevolent investment environment. Early in the beginning of the conversion of Hainan into a province and setting it up as a special region, the biggest problem was the backwardness of its basic facilities and the relatively poor investment environment. Over the past three years, the provincial party committee and provincial government have from beginning to end firmly insisted on strengthening construction of the basic facilities and improving the investment environment as the main and extremely urgent tasks in setting up the province as a special region and its further opening up to the outside world. They have designated the guideline in work as "adhering to policy, building up the foundation, grasping reality, and seeking effects." After tedious and hard efforts, they have achieved certain successes. The province has now enforced a series of policies and regulations on land use, land registration, taxation, and so forth which have a bearing on opening up Hainan to the outside world. They have strengthened construction on

such basic facilities as power supply, communications, transport, port, and harbor work. The investment environment has been improved daily. In short, the basic conditions for large-scale development have been attained.

Improvement of the investment environment has promoted Hainan's opening up to the outside world and enabled the various construction projects in the whole province to develop relatively speedily. The three years after the establishment of the province were the speediest and best period in the history of Hainan's development. In 1990, compared with 1989 prior to the establishment of the province, the total value of domestic production was 9.5 billion yuan, 127.1 percent of that of 1987 and averaging an annual progressive increase of 8.3 percent, social gross output value increased 133.1 percent, averaging an annual progressive increase of 9.9 percent, and local financial revenues amounted to 739 million yuan, 249.7 percent of 1987. Last year, domestic gross output value amounted to 10.5 billion yuan, an increase of 10.2 percent over 1990, national income amounted to 8.5 billion yuan, an increase of 9.8 percent over 1990, while industrial and agricultural gross output value amounted to 11.74 billion yuan, an increase of 10.6 percent over 1990. It is our firm belief that if we can further expand the opening up to the outside world and endeavor hard to develop the externally-oriented economy, we can in several years' time, or some 10 odd years or more, complete the road which will take other people over 10 years or over several tens of years to complete, and that it will be entirely possible to achieve the early high-flying development of Hainan's economy.

(2) Pushing to a new stage the work of introduction from the outside and association in the inside, and promoting the development of the externally-oriented economy.

External introduction and internal association are the important forms of opening up to the outside world. The vigorous development of these two phases and introducing from the outside various kinds of essential elements of production to be integrated with Hainan's own strong points are the important measures to speed up the development of Hainan's economy. Since the establishment of Hainan Province, absorption of foreign capital for the formation of enterprises of the "three capital sources" has progressed rather rapidly. From establishment of the province in 1988 to 1990 at year's end, 1,033 contracts for utilization of foreign capital were concluded with nearly 20 countries and regions including Hong Kong, Japan, Taiwan, Singapore, Thailand, the United States, and Canada. The contracts stipulated the amount of the foreign merchants' investments at \$890 million, 340 percent of the total amount of investments by foreign merchants in the eight years from 1980 to 1987, the actual amount of foreign capital utilized was \$560 million. The number of enterprises invested in by foreign merchants was 1,387, and in 1990 the industrial output value realized amounted to 320 million yuan. Last year, there was a further large-scale increase in investments by foreign merchants. In addition, certain

large projects achieved breakthroughs in the seeking of loans from foreign governments and financial consortiums, while introduction of foreign intelligence work has also begun to be put on a regular track. From now on, on the side of external introduction, Hainan must be more liberalized in eyesight and the steps taken must be larger, such as actively seeking loans from the World Bank, foreign governments and international financial organs, attracting foreign banks to set up branches in the province, creating conditions for the establishment of commercial organs and enterprises in other countries and regions, and organizing transcontinental companies of an international nature, and so forth. By so doing, Hainan will form a new pattern of special regional economy in which, with the public ownership economy being the leading factor, various forms of economic constituents will vie for development.

A flexible economic system coupled with a special economic policy can offer rather great attractive power to inland areas. Doing a good job in internal association and well utilizing the inland's strong points to compensate for Hainan's insufficiency will play a great promotional role in Hainan's economic development. Many of the inland's advanced technologies and equipment are what Hainan sorely needs and the vigorous development of association with the inland and absorption therefrom of advanced technology, and equipment, and talented personnel will be beneficial to Hainan's progress in technology, and improve its economy's general quality and competitive power, thereby creating the conditions for the large-scale introduction of foreign capital. From establishment of the province to the 1990 year's end, there were established in Hainan 4,809 enterprises invested in by the inland. The agreements provided the amount of investments from the outside provinces to be 7.34 billion yuan. The actual amount of funds utilized was 3.2 billion yuan. Last year, there was a further large-scale increase in investments from the inland provinces. From now on, Hainan will continue to look for various kinds of suitable forms for the development of association with the inland, fight for investments from the various departments of the central government and from the various provinces, municipalities, and cities. It will actively cooperate with the inland enterprises, through the construction of large projects introduce from the inland the system of building up large enterprises, organize enterprise groups, develop enterprises of the stock and share system, and promote an ameliorated combination with the inland in respect of the essential elements of production such as funds, technology, equipment, and so forth.

(3) Taking the road of whole-piece opening up and speeding up construction of the opened-up areas.

Hainan is unlike the Shenzhen and Zhuhai SFZ's which possess the special features of neighboring Hong Kong and Macao and it also does not possess the strong points of Shanghai and other cities and advanced regions which possess good basic facilities, capital funds, techniques,

and talented personnel. Based on Hainan's special features of being generally weak in economic foundation, and its special geographic environment, our motto in the introduction and absorption of foreign capital to carry out the opening up and development program consists of "unified planning, whole-piece development, separate-stage enforcement, and composite compensation."

Hainan's whole-piece development program consists of two forms. One form calls for self-investment in developing the basic facilities of a designated area and following up with gradual introduction and absorption of foreign capital and domestic capital to develop the opened-up areas. The other form calls for marking out a certain locality, directly contracting it to foreign investors to take up construction of the basic facilities, and subsequently letting the foreign merchants issue tenders for the introduction of projects. In September of last year, an intention letter was signed with foreign merchants for investment in development and the running of land projects in a 30 sq km area in Yangpu. In Haikou city the four developed regions of Jinpan, Benhai, Yongman, and Haidian have already acquired an initial scale of development.

At present, whole-piece opening up has become the important form in Hainan's large-scale introduction and absorption of foreign capital and the special feature differentiating Hainan from other SEZ's.

(4) Separating the various stages, guiding in different groups, and realizing the common affluence of the people of the whole province.

Compared with other SEZ's of the city type, Hainan special region offers an obvious difference; that is, it has extensive rural areas, the agricultural population is 70 percent of the whole, and minority nationalities occupy one-sixth of the whole population. At present, in many of the rural areas, particularly in the old zones, hilly regions, and areas domiciled by minority nationalities, the people are still in the stage of natural economy; the economy, culture and education are backward; and the populace is impoverished. Changing as speedily as possible the backward countenance of these regions is a great endeavor with a bearing on strengthening racial unity, the manifestation of the strong points of socialism in the special region, and the long-term development of the region. The province has decided to proceed from reality, and adopt the principle of "separating the stages and guiding in different groups," so as to bring about the coordinated development of the various localities. The first stage is to do a good job in construction of the opened-up areas, vigorously develop enterprises of the "three capital sources," and construct a batch of high-technique and high-effect projects to promote the early high-flying start of Hainan's economy. The second stage is the full employment of a preferential policy, and carrying out technical transformation of the portion of industry and agriculture still in a low level of development. The third stage is firm insistence on "getting rich through diligence and hard work," becoming well-to-do

through science and technology, and helping people of the "three areas" (old areas, mountainous areas, and areas domiciled by the minority nationalities) to develop the economy and to become well-off.

In the principal cities and towns such as Haikou and Sanya, the province will allocate certain localities and establish there "poor-relief development areas", helping residents of the "three areas" to introduce and set up projects and accumulate capital funds; in cities and towns which have fairly convenient communications facilities and have a fair concentration of people and residents, the province will likewise set up rural industrial development areas, helping the "three areas" to gradually strengthen their collective economy and develop township and town enterprises. In localities where there is a concentration of minority nationalities such as Tongshi and other cities, the province has utilized the natural scenery resources to set up minority nationality tourism development areas so that through development of tourism, development and growth of the economy will follow. In addition, the province will centralize a portion of capital funds and strive for the basic solution, within three years' time, of the problems of construction of the basic facilities in transport, communications, and broadcasting in the "three areas," at the same time encouraging domestic and foreign merchants to go to the "three areas" to develop the resources. It is hoped that through taking these measures and speeding up the steps to effecting well-being and enrichment, the common affluence of the people of the whole island will be realized.

(5) Surrounding the themes of opening up and deepening reform, setting up a new type of structure and economic operational mechanism beneficial to the expansion of opening up to the outside world.

The major points surrounding expansion of opening up and deepening reform are:

Improving the market system and gradually establishing an economic structure and operational mechanism which take regulation by market mechanisms as the leading factor under the guidance of the state's macro-economic plan so as to effect liaison between the Hainan market and the international market. Since the formation of the province, based on the demand for opening up to the outside world and operating according to international practices, Hainan has actively carried out construction of the market system and expansion of the scope of market regulation, bringing about the initial growth of markets for the various kinds of essential elements of production. From now on Hainan will take even larger steps on improving the market system. Aside from positively nurturing and cultivating the markets for means of production, consumer goods, funds, technology, real estate, and labor and markets for other essential elements of production, the province will organize and form various kinds of wholesale trade markets and futures markets. With regard to the capital fund market, the organization of a complete stock and share

market will be the main task while the foreign exchange market will be further improved. Concurrent with construction of the markets, price reform will be further extended. Putting the prices of means of production on the same track will be speedily carried out to create the conditions for improving the market system and perfecting the market mechanism.

We shall deepen enterprise reform, and speed up the development and organization of a number of superior shareholding enterprise groups in industry, trade, and technology which are principally concerned with the production of top-notch products. At the same time, conditions will be created for the selection of a number of enterprises which possess the necessary qualifications and are high in management and operational level to serve as piloting points for the issuance of stocks and shares.

The province will continue to improve the "small government and large society" structure and put into full play the governmental functions of macro-economic regulation and control. From now on, it will gradually establish a macro-economic regulation and control system with indirect control as the main factor, on the one hand carrying out planned management and, on the other hand, strengthening economic control of currency and finance.

Reform of the social protection or security system will be carried out on a full scale. Starting this year, the reform program of the social security system of Hainan Province in respect of care for the aged, medication, industrial accidents, and employment will be put on a full-scale piloting basis. These reforms will create good conditions for promoting social stability and unity and competition in terms of equality on the part of enterprises and staff members and workers and will thereby gradually form a structural protection layer for the economic operational mechanism to work according to international practices.

III

To ensure that the further expansion of the general line of thought on opening up to the outside world can be thoroughly carried out, it is necessary to create a good and benevolent environment. In the three years since the formation of Hainan Province, the investment hard environment has been greatly improved but there are still many problems confronting the soft environment. These are principally manifested in the low and poor quality and caliber of the cadres, their services rendered to investors not being good enough, occurrence of a rather serious state of improper trade practices, existence of a rather large number of social security problems, impairment of the investors' rights, continuous rise of ugly phenomena, and so forth. All these problems have hindered the further expansion of opening up to the outside world on the part of Hainan SEZ. Therefore, improvement of the social environment and setting up a good stature of the SEZ have become extremely urgent tasks.

First, it is necessary to strengthen the understanding of opening up of the whole province from top to bottom.

People of the whole province should be made to understand that the whole of Hainan Island is within the realm of the SEZ and that each and every locality and each and every piece of work is closely related to the opening-up enterprise. Hence, it is necessary to proceed from the whole situation of the entire province opening up to the outside world; put aside conservatism and selfish departmentalism; adopt a positive and accurate opening-up attitude in handling affairs between departments, localities, enterprise units, and individuals; and accomplish the feats of organic coordination and mutual support. The various kinds of work of the whole province should revolve and be carried out around the theme of opening up, must all serve the opening-up enterprise, and ensure the smooth progress of the opening-up enterprise of the special region.

Second, it is necessary, in accordance with the demand for being suited to opening up to the outside world, to improve and raise the quality and standard of people of the whole province. Since the Hainan special region was established on the foundation of a semi-natural economy and a state of closure to the outside world, the people's ideas and concepts have not been able to catch up with the demands arising from the development of the situation of opening up to the outside world. We should, through various measures such as letting in the influx of people from the outside and allowing the coming and going of people of the province and supplementary measures of training, cultivation, and learning, build up a series of new concepts suitable to the opening up and development of the commodity economy, including such concepts as competition, seeking of effects, information, reputation, and so forth. Meanwhile, it is also necessary to strengthen the service concept and the opening-up understanding to provide foreign investors with good services and form the conduct framework of acting according to international practices.

Third, it is necessary to establish a highly efficient and honest government organ. Since the establishment of the province, Hainan has done much work in improving office efficiency and has accomplished certain results. But there is still a considerable distance from meeting the demands of further expanding and opening up to the outside world. Investors have not been wholly satisfied with the kind of services rendered to them in Hainan. A minority of the public servants procrastinated in their work and went even to the extent of extortion and illegally seeking favors. To change this state of affairs, Hainan is currently vigorously rectifying this improper atmosphere in industries and trades and has been studying rectification measures to achieve efficiency in work and provide an honest and clean political organ, thus to benefit the formation of an environment beneficial to investment.

In addition, it is also necessary to follow the decision of the NPC to grant the people's congress and the congress standing committee of the province to formulate laws and regulations, and, according to international practices, to speedily formulate a set of external regulations so as to protect the legitimate rights of the investors.

END OF

FICHE

DATE FILMED

1 July 1992

